

Analysis of Enterprise Cost Management from the Perspective of Management Economics

Bin Chen*

Zibo Hi-tech Industry Investment Co., Ltd., Zibo 255086, Shandong Province, China

*Corresponding author: Bin Chen, gph111@163.com

Copyright: © 2023 Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0), permitting distribution and reproduction in any medium, provided the original work is cited.

Abstract: In view of economic globalization, China's economy has entered a stage of normalized development. In the post pandemic era, the costs of raw materials, production, sales, and labor in Chinese enterprises continue to increase, leading to severe competitive pressure among the enterprises. Therefore, it is of great theoretical and practical significance to actively apply the relevant theories of management economics to guide the cost management of Chinese enterprises, improve their economic benefits, and promote healthy and sustainable development. Currently, there are still many problems in terms of cost management in Chinese enterprises. Therefore, it is crucial to address these problems and further improve the effectiveness of cost management. This paper presents an overview of cost management and an analysis of the specific problems and provide corresponding countermeasures, in hopes of to providing a reference for cost management in enterprises and achieve the goal of stable and sustainable development of China's economy.

Keywords: Management economics; Enterprise cost management; Problems; Strategies

Online publication: April 25, 2023

1. Introduction

In a socialist market economy with Chinese characteristics, for an enterprise to stand out in the highly competitive market and achieve rapid economic growth, various measures should be taken to continuously expand its market share, reduce enterprise costs, and achieve stable growth. Currently, the management economics theory is commonly used among enterprises to reduce operating costs to achieve "cost reduction while increasing efficiency" in production and business ^[1]. The theory of management economics mainly focuses on three aspects: market demand, production and operation of the enterprise, and the social market economic environment. This theory deeply analyzes and summarizes the internal and external environment of production and operation, helping enterprises further understand the market environment and problems in cost management and how to solve them. In this way, the economic development of enterprises can be accelerated, and their competitiveness can be improved.

2. Overview

2.1. Concept of enterprise cost management

Enterprise cost management refers to the analysis and management of the costs consumed in each link of the production and operation process of an enterprise through a series of scientific management methods, with the purpose of reducing production costs and improving economic benefits. All actions taken to manage enterprise costs are called enterprise cost management. In view of the socio-economic development, the expenditure of enterprises on production and operation is also increasing, especially in the purchase of

raw materials, wages, and product marketing, which are important factors affecting the development of enterprises. Enterprise cost management revolves around all links and processes in the production and operation of an enterprise, specifically manifested in the scientific and reasonable evaluation, prediction, and control of production costs. In this highly competitive market, the competitive pressure faced by enterprises is not only reflected in the sales volume and price of products, but also involves other factors. Therefore, with the appropriate application of management economics theories, enterprises can adopt various scientific and effective methods to manage their costs, thereby improving their profitability, and achieving a healthy and sustainable development ^[2].

2.2. The importance of enterprise cost management

Enterprise cost management is an important manifestation of the overall management level of an enterprise and is an important factor in determining the quality of enterprise management. Enterprise cost management mainly includes four aspects: budget, control, analysis, and assessment of cost items in the production and operation process of an enterprise. Effective enterprise cost management can not only further improve the cost control of the enterprise, but also enhance the competitiveness of the company's products, and promote a healthy and sustainable development of the enterprise. Secondly, the application of information technology and relevant theories of management economics in cost management can effectively improve the financial accuracy and efficiency of enterprise, while also significantly standardizing the accounting of enterprise costs, which in turn ensures the quality and security of the enterprise's financial information. Moreover, good cost management helps national government departments in supervising and managing enterprises in terms of taxes and product quality. Finally, using management economics in cost management can effectively enhance the core competitiveness of enterprises in the highly competitive market environment. Scientific and effective cost management methods can drive the modernization of enterprises, thereby meeting the needs and requirements of modern social market development ^[2].

3. Problems in enterprise cost management from the perspective of management economics

In recent years, Chinese enterprises have applied the relevant theories and methods of management economics to their cost management and achieved good development. However, there are still some problems, leading to a large gap between the cost management of most Chinese enterprises and other world-class enterprises. A detailed analysis of the problems in cost management in Chinese enterprises from the perspective of management economics are explained below ^[3].

3.1. Lack of correct awareness of enterprise cost management

China's economic development market has been severely affected due to the COVID-19 pandemic and the international trade environment, and enterprises, no matter big or small, are facing strict competitive pressure. In order to survive and develop during an economic downturn, some enterprises choose to expand production on a large scale, hoping to get rid of the shackles of the economic market downturn by further expanding market share. However, expanding production or seizing market share require a large amount of production input and marketing expenses, leading to a further increase in costs, and even breaking the capital chain, which will severely affect the long-term development of the enterprise ^[4]. The reason for this phenomenon is that some enterprise leaders lack the awareness of enterprise cost management, leading to the inability to apply the theoretical knowledge of management economics in the production and operation process, resulting in low production efficiency and even losses, making them lose their competitive advantages in the highly competitive market, and this is not conducive to long-term development of enterprises. Some enterprises in China, especially small and medium-sized enterprises, have a relatively backward understanding of cost management. They generally believe that the main body of enterprise costs

is the financial department, and that they should further strengthen the functional value of the financial department to achieve cost management by reducing expenditure. However, this approach is very one-sided and ineffective. Cost management refers to the implementation of cost management in all aspects, ranging from raw material procurement to product sales to ensure effective cost management. Relying solely on the financial department to implement cost management will inevitably lead to ineffective cost management, and it is not conducive to the long-term development of the enterprise ^[5].

3.2. Lack of professional talents

Management economics is a highly specialized and comprehensive discipline, in which it requires managers to have a high level of knowledge in management, and large amount of practical experience in cost management. However, managers in many enterprises do not have these qualifications. Some managers understand the theory of management economics but lack experience in enterprise production and cost management, resulting in ineffective cost management. In addition, many enterprise managers in China only focus on the management of production costs, while ignoring cost management in other operations, resulting in the inability to maximize cost management, thereby affecting the long-term development of enterprises ^[6]. Besides, the effective implementation of enterprise cost management cannot be separated from effective guidance and training for managers and staff. Although in recent years, Chinese enterprises have placed more emphasis on cost management and applied management economics in cost management and have also strengthened special training for managers and employees, but the training content is more focused on the skills and methods of cost management. Professional knowledge training in economic management and cost management has been largely neglected, which led to the lack of awareness of cost management among employees in Chinese enterprises, and a failure to effectively grasp the significance and value of cost management, resulting in a large amount of unnecessary expenditures on the production and operation processes of many enterprises ^[4].

3.3. Lack of scientific and effective cost management methods

With the continuous development of the Internet and information technology, substantial benefits have been brought to the development of enterprises. More and more enterprises are beginning to use modern information technology to guide production and operation, further improving production efficiency and quality. However, there is still a lack of scientific and effective cost management methods, especially in cost accounting. Many enterprises still use manual accounting, which greatly increases the cost of accounting, and it is also difficult to guarantee the accuracy and scientificity of the accounting data. In addition, most enterprises in China focus on strict cost management during the production stages, including purchase of raw materials and equipment, labor remuneration, and other aspects. In order to save cost, some employees may even purchase low-priced and subpar raw materials or reduce their “Five Insurances and One Fund.” As a result, the product quality is affected, which affects the competitiveness of the enterprise, causing serious impact and harm to its survival and sustainable development. Therefore, enterprises should formulate their own scientific and effective management methods and attributes of their products, so as to minimize production costs and enhance the core competitiveness of their products without affecting the product quality.

4. Effective approaches of enterprise cost management from the perspective of management economics

4.1. Improving awareness of cost management

Cost management directly affects the economic benefits of enterprises. In order to improve the competitiveness of enterprises, it is necessary to improve their awareness of cost management. Firstly, it is

necessary to establish a correct understanding of cost management. Cost refers to the expenses incurred in the production and operation of an enterprise and is a series of measures taken to evaluate and control the relationship between input and output of related activities. Various industries are facing fierce competition in the market economy. In this situation, only by continuously improving their competitiveness can they survive and develop. Moreover, it is also important to know the differences between cost management and traditional management methods. Many traditional cost management models are no longer applicable in the current market economy, and corresponding changes must be made to meet the needs of modern economic development^[7]. Finally, it is necessary to continuously enhance the awareness of the importance of cost management throughout society. To carry out cost management under the market economy, it is necessary to use the laws of market economy as the foundation and prerequisite for corresponding improvement and innovation. Under the socialist market economy, in order to enhance the comprehensive competitiveness of enterprises and maximize economic benefits, it is necessary to change traditional concepts, establish a correct awareness, and actively participate in cost management. Only then can society better understand the importance and necessity of enterprise cost management, thereby enhancing the participation of the entire society in cost management of enterprises.

4.2. Strengthen the cultivation of enterprise cost management talents

The development of enterprise cost management cannot be separated from professional management personnel. In fact, the comprehensive ability of enterprise management personnel is the core factor that determines the efficiency and quality of cost management of an enterprise. From the perspective of management economics, having high-quality management personnel is crucial to achieving the goal of reducing enterprise costs. Therefore, to further improve the quality of enterprise cost management and enhance economic efficiency, enterprises should strengthen the training of professional cost management personnel. Firstly, enterprises can invite well-known experts and scholars from the industry to carry out seminars to train their management and financial personnel in terms of theoretical knowledge of management economics and cost management skills, to ensure that their employees not only master the knowledge of management economics, but also have a deep understanding of cost management. Secondly, when recruiting talents, enterprises should prioritize outstanding talents with rich management experience in the field of cost management and require candidates to have certain qualifications in management and economics to ensure that the recruited talents can be engaged in cost management as soon as possible. Finally, enterprises should establish a targeted cost management reward and punishment mechanism with the achievements of employees as an important standard for reward and punishment. Enterprises should also actively guide and encourage their employees to innovate cost management methods, expand cost management achievements, so that the concept and awareness of cost-saving can be spread throughout the company, through contributing to the healthy development of the enterprise^[7].

4.3. Innovating cost management methods and building a sustainable cost management system

The development of science and technology has brought positive impacts on people's lives, work, and other aspects. Therefore, the Internet and information technology should be utilized in the cost management of an enterprise. For example, an information-based cost management system can be built. In this the effectiveness and quality of cost management can be improved. When applying management economics theory in enterprise cost management, the current internal and external environment of the enterprise should be analyzed objectively and impartially. Besides, the social environment and specific requirements for enterprise financial management should be well understood. Moreover, it is necessary to select effective cost management methods based on the actual situation within the enterprise and formulate a scientific and reasonable cost management plan from the perspective of sustainable development of the enterprise, in

order to respond to the increasingly fierce competition in the social market economy. Secondly, enterprises should mediate the cost investment of products, invest as much as possible in product innovation and research and development, minimize the expenses in production and marketing, improve the economic profit margin of their products, and reduce production costs, and prevent problems such as loss of market competitiveness due to reduced product quality.

5. Conclusion

In short, cost management is an important part of enterprise management and an effective way to enhance the core competitiveness of enterprises. Cost management based on the perspective of management economics involves making targeted adjustments to the products of an enterprise according to the market demand to ensure that products will be favored by the market to expand economic benefits and achieve sustainable development. However, there still exist a lack of correct enterprise cost management awareness, professional talents, and scientific and effective cost management methods among enterprises in China. Therefore, targeted adjustments should be made from these aspects, such as establishing a correct awareness of cost management, strengthening the training of cost management personnel, innovating cost management methods, and constructing a sustainable cost management system, in order to effectively improve the level of cost management in enterprises ^[7].

Disclosure statement

The author declares no conflict of interest.

References

- [1] Wang K, 2022, Exploration of Enterprise Cost Management from the Perspective of Management Economics. *Business Exhibition Economics*, 56(10): 136–138.
- [2] Wang L, Cao X, Wang M, 2013, Enterprise Cost Management from the Perspective of Management Economics. *Enterprise Herald*, 236(04): 85.
- [3] Yu Q, 2022, Problems and Countermeasures in Cost Management of Manufacturing Enterprises in the Cloud Era of Smart Mobility. *Quality and Market*, 322(23): 64–66.
- [4] Yi X, 2022, Enterprise Cost Management from a Strategic Perspective. *Business Observation*, 163(33): 81–84.
- [5] Meng N, 2023, Research on the Dilemma and Preventive Measures of Enterprise Cost Management Risks. *China Market*, 1138(03): 88–90.
- [6] Tang M, 2022, Research on the Problems and Countermeasures of Enterprise Cost Management. *Marketing Industry*, 2022(20): 137–139.
- [7] Zhu H, Du H, 2022, Cost Management of Manufacturing Enterprises in the Context of Big Data. *Cooperative Economy and Technology*, 692(21): 131–133.

Publisher's note

Bio-Byword Scientific Publishing remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.