

Research on Strategic Cost Management from the Perspective of Value Chain

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Abstract: Cost management is the core content of enterprise development. The traditional cost management can not adapt to the sustainable development of enterprises. Managers began to pay attention to the concept of strategic cost management. In this highly competitive social environment, enterprises need to optimize the cost management model from the strategic level. Therefore, enterprises should actively improve cost management and link strategy with cost management from the perspective of value chain, so as to promote the vigorous development of enterprises and enhance their competitive advantage.

Keywords: Value Chain; Strategic Cost Management

Introduction

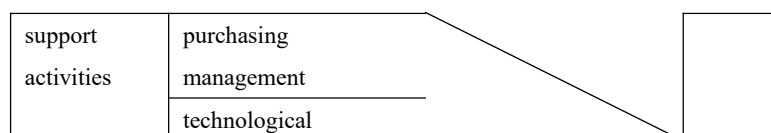
In recent years, strategic cost management has gradually entered the vision of operators, affecting the decision of leaders, and affecting the future development trend of an enterprise. Implementing the strategic cost management from the perspective of value chain is an important research field of contemporary society, which is of great significance to the sustainable development of enterprises. The empirical research on strategic cost management has been conducted for more than 20 years. With the continuous expansion of the development of Chinese enterprises, strategic cost management has been paid more and more attention, and it has become the necessary strength and skills for the helm of major companies in the world. This paper adopts this framework to discuss the strategic cost management under the value chain, in order to provide reference for the strategic cost management of enterprises.

1 Value-chain-related theory

1.1 Value chain theory

The value chain was originally proposed by Professor Michael Porter in the United States in 1985. He believes that the value chain is composed of various production and operation activities, and the value chain is closely related to the competitiveness of enterprises. The value chain is the embodiment of a dynamic process, which is measured by the value and wealth created by all activities. These production and operation activities are both closely linked and independent of each other. Value chain is divided into internal value chain and external value chain. The internal value chain first purchases raw materials, then transports the raw materials to the enterprise to process and manufacture into finished products, and finally the finished products are sold to realize the sales of products.

In the current fierce competition, the value chain theory becomes more and more important and become indispensable. Value chain activities are at the center of all activities, so we should attach importance to the value chain theory and use this theory effectively.



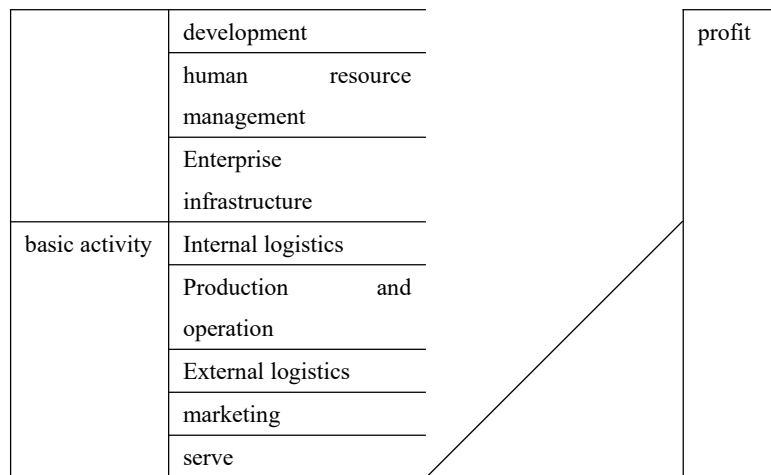


Figure 1 The composition of the basic value chain of enterprises

The internal value chain is created by various related activities within the enterprise. It is a related value activity based on customer value. These activities include production and sales, logistics, consulting services, human resources, technology development, financial systems, information innovation, product procurement, enterprise infrastructure. The internal value chain is to reduce the cost and realize the competitive advantage between enterprises through the principle extension of the operation chain.

1.2 Industry value chain

Industry value chain is also called vertical value chain, that is, suppliers extend upward, representing the source of raw materials; Downward extension is the customer, representing the end of the product; It can even be extended to customers for customers. In this process, the transfer of enterprise value and the infinite extension of value-added process are realized. There are relationships between enterprises and their upstream and downstream in the industry value chain. Industry value chain breaks through the limitation of traditional value chain, and combines enterprises with upstream and downstream, that is, suppliers, distributors, manufacturers and customers are all placed on the same value chain, and any two can interact with each other at will to generate value.

1.3 Competitor value chain

Competitor value chain is also called horizontal value chain, that is, competitor value chain compares with suitable competitors, thus exerting beneficial pressure on itself and implementing value activities, thus improving the efficiency of value activities. The competitors that an enterprise should select refer to those competitors that are similar to its own overall status and scale, and produce or sell similar products or provide the same type of services, and there is a daily competitive relationship. Competitor value chain should uphold an objective attitude, deeply realize the shortcomings of this enterprise, and at the same time tap the advantages of this enterprise management, so as to make full use of each other's strengths, formulate effective strategies, and realize the competitive advantage of cost leadership.

2. Strategic cost management based on the perspective of value chain

2.1 Strategic cost management theory based on the perspective of value chain

Both value chain theory and strategic cost management theory are an indispensable part of the sustainable development of enterprises. In order for enterprises to quickly adapt to the market competition and achieve long-term development, enterprises should combine the value chain and strategic cost management, so as to promote the scientific and effective development of enterprises.

Strategic cost management is expounded from these three aspects: value chain, strategic cost motivation and strategic positioning. Among them, the value chain analysis through the internal and external operations of the investment of raw materials at the beginning of the enterprise and the final completion of product sales, to realize the value added of value. In this process, the value chain analysis determines the competitive position of the enterprise, formulates the feasible strategic objectives, and creates the core competitiveness of the enterprise. The strategic cost driver analysis consists of two parts. First, the structural cost motivation. From a macro perspective, we can influence the effect of strategic cost management under the value chain by selecting the scale, target, competitors, technology and other strategic cost management of the enterprise, and grasp the cost development trend of the enterprise. The second is the cost

motivation of execution. From the micro perspective, the enterprise can effectively reduce costs and realize the competitive advantage through the cohesion, comprehensive and scientific cost management of employees, and the accurate use of ability. The strategic positioning analysis of an enterprise is to choose the strategic policy suitable for its own sustainable operation by analyzing the actual operating conditions of the enterprise and the evaluation of various external factors and risks according to its own needs.

2.2 Principles of strategic cost management from the value chain perspective

2.2.1 Customer orientation principle

The principle of customer-oriented customers requires enterprises to take customer demand as the prerequisite and pay attention to customer demand. From the perspective of customers, increase the position of customer value chain. In the value chain analysis, enterprises should take the customer value as the core, and should meet the various reasonable requirements of customers in all stages of the value chain, so as to form the core competitiveness of enterprises.

2.2.2 Principle of collaborative cooperation

The principle of cooperation requires employees to work together and sincerely. Employees should perform their own duties, division of labor and cooperation, in order to achieve win-win cooperation. In the strategic cost management, enterprises should make certain coordination and optimization of the value chain system, so that the internal value chain and the external value chain echo each other and implement it at the same time. Cooperation principle requires enterprises should not only focus on the development of enterprise internal, more should start from the overall situation of the enterprise, to pay attention to the change of market demand, and suppliers, customers, competitors, maximize the enthusiasm of employees, create the core competitiveness, coordinate with the competitive environment at the same time, make the enterprise value in constant promotion.

3. Conclusions and Outlook

3.1 Research conclusion

With the development of society, the practice of enterprises combining value chain with strategic cost management is more and more common, and has become a trend needed by the market. Enterprises pay more and more attention to the implementation of strategic cost management strategy in its operation. In the environment of fierce competition in the industry, the strategic cost management under the value chain occupies an important position in the core competitiveness of enterprises.

3.2 Outlook

Strategic cost management is a new and advanced business model, but now the strategic cost management means of enterprises are not mature, and now they still belong to the stage of exploration and practice. How to analyze and implement strategic cost management scientifically and effectively is the focus of research in the current society, but there are still many problems to be solved. In the context of rapid development but complex market, strategic cost management needs long-term and unremitting exploration. It is hoped that under the test of time, the future can better and efficiently use the strategic cost management methods to promote the development of the enterprise, establish a perfect strategic cost management system, and effectively control and evaluate the cost of the enterprise.

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