

# The optimization countermeasure analysis of the cost control problem of small and medium-sized enterprises in the new era

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**Abstract:** *Small and medium-sized enterprises (SMEs) which are indispensable in China's economic development are the main body of China's market economy and the backbone of market economic development. With the continuous development of China's market economy, more and more SMEs have stepped into the "deep water" of economic activities, but a series of problems have come along, such as "small but beautiful", "small but special" and "small but not fine". At present, China's market competition is becoming increasingly fierce, but there are still many problems in the production and operation of domestic SMEs, resulting in more negative impacts. Therefore, this study is an in-depth analysis of the problems in the cost control process of SMEs, which is of great significance to improve the business quality of SMEs. This paper mainly analyzes and discusses the optimal countermeasures for cost control in SMEs in the new era.*

**Keywords:** *Small and medium-sized enterprises; Cost control; Problematic consequences; Optimization measures*

## 1. Introduction

From the current status of cost control of SMEs in China, most SMEs have problems in product control and management. Firstly, the production and management efficiency of China's SMEs is relatively low, and the links of production, manufacturing and distribution are relatively weak, so they cannot effectively control the production and operation activities. Secondly, SMEs' own financial system is not complete, and financial personnel and purchasing personnel lack sufficient knowledge of the financial situation of this enterprise. Finally, our SMEs control key resources such as raw materials, energy and capital in a relatively sloppy manner. Since they produce and sell a single type of products, many SMEs do not consider it necessary to make detailed budgets for various raw materials and energy costs, which leads to a large amount of waste of raw materials. At the same time, many problems in the actual production process have led to a certain degree to a decline in product quality, increased production costs and higher operating costs.

## 2. The Overview of the Value of Corporate Cost Control in the New Era of SMEs

For SMEs, the effective control of production costs can both improve the economic efficiency of enterprises and effectively reduce production costs. Through the effective control of production costs, production costs can be effectively reduced to ensure that SMEs produce more products with stable quality, and the market competitiveness of products will be enhanced. At the same time, in order to improve the production efficiency of products and ensure product quality, SMEs can also effectively reduce the production costs of products, through the effective control of production costs to further improve product quality. Thus, cost control occupies an important position in the production of enterprises.<sup>[1]</sup>

Cost is a response to the change of cost during the economic operation of the enterprise, and it is also an important factor that leads to the decline of the economic efficiency of the enterprise. Since cost reduction is an important guarantee for enterprise profitability, China's SMEs are also constantly promoting cost control. China's SMEs can control costs effectively if they actively and effectively control their own production costs and the external market environment. When an enterprise can effectively control its internal market environment and actively promote the corresponding cost control work, it can also maximize the profitability of the enterprise. For example, in the current internal

market environment, SMEs are facing huge competitive pressure. If companies can effectively promote cost control efforts, they can maximize their profitability.

### **3. The Consequences of the Current Problem of Cost Control in Small And Medium-sized Companies**

#### ***3.1. Easily lead to waste of resources***

When controlling costs in SMEs, the people involved within the company are often unable to effectively control the company's resources for their own reasons. Since costs are controlled in accordance with certain budgetary targets, enterprises should consequently exercise strict control over their costs. If SMEs do not achieve effective control of cost costs when managing, then it is likely that the cost of the enterprise will remain high for a long time, thus leading to the waste of enterprise resources. Companies with relatively sufficient capital can also achieve effective control of costs and expenses by making better use of resources. However, for relatively capital-strapped SMEs, their costs consume more and thus cannot achieve normal capital operation, and may even lead to a shortage of funds.

#### ***3.2. Seriously affect the quality of the enterprise's products***

For SMEs, effective cost control is a very critical aspect, but many SMEs do not recognize the importance of cost control. At the same time, if a company is unable to effectively control the quality of its products, the quality of its products will also have greater problems. Therefore, for SMEs, effective control of product quality is also a relatively important aspect. However, due to the limited management level of some SMEs, some problems may occur in the production and operation of enterprises, such as low product quality and slow market response. Therefore, if SMEs ignore cost control, it may directly affect the quality of their own products.

#### ***3.3. Lead to price disadvantage in market competition***

Companies must pay attention to their own price disadvantages in the market. For SMEs, their own price disadvantage in the market or competitive disadvantage in the market can have a large impact on the enterprise. In the current SMEs we can see, the price disadvantage has a huge negative impact on the market competition and business development. At the same time, SMEs are facing greater cost pressures as the cost of equipment and materials used in the production process rises. Therefore, if SMEs are unable to effectively control the quality of their products and the speed of market response, it will directly lead to a price crisis for their products, which is one of the important reasons for higher-priced companies to buy these products.

### **4. The Optimization Measures for Cost Control of SMEs in the New Era**

#### ***4.1. Establish cost control awareness***

Cost control is a systematic project, which is one of the core contents of enterprise operation and management. For a project, it is not only the core content of management work, but also an important guarantee for the survival and development of the enterprise and the expansion of reproduction. Therefore, strengthening cost control has become a fundamental measure for enterprises to enhance economic efficiency. Improving the management level is a prerequisite for improving the quality of projects, saving costs and controlling costs. Only by strengthening the cost control work can enterprises ensure good economic benefits. In addition, enterprise managers should also consciously establish the consciousness of saving.

#### ***4.2. Improve cost control methods***

Cost control method is an important part of an enterprise's cost management and an important means of enterprise economic management.<sup>[2]</sup> It is not only directly related to the economic, social, ecological and cultural benefits of the enterprise, but also related to the enterprise management level, management innovation ability and many other aspects, and even affects all aspects of society, the state and the nation. From the current situation of enterprise production and operation, with the deepening

development of China's reform and opening up and socialist market economy, various interests are becoming increasingly complex and sensitive, and the problems of enterprise management are becoming more and more complicated. Therefore, a set of practical and effective economic management methods has become an urgent need. The establishment of an effective, scientific, feasible and practical economic management is an important issue that economic managers must face and solve well. In the new situation, enterprises should actively implement the scientific concept of development, continuously strengthen management capacity building, further improve the level of economic efficiency by strengthening their own management, improve the overall quality of enterprises and economic efficiency, and then enhance the core competitiveness of enterprises. In the new situation, enterprises should pay more attention to enterprise cost management, start from all aspects of economic activities, further improve cost control methods, strictly follow the cost control process (Figure 1), incorporate enterprise economic activities into the enterprise management system and management norms, improve the cost consciousness of all employees of the enterprise, and strictly implement the cost index system in order to reduce operating costs and achieve economic efficiency target.

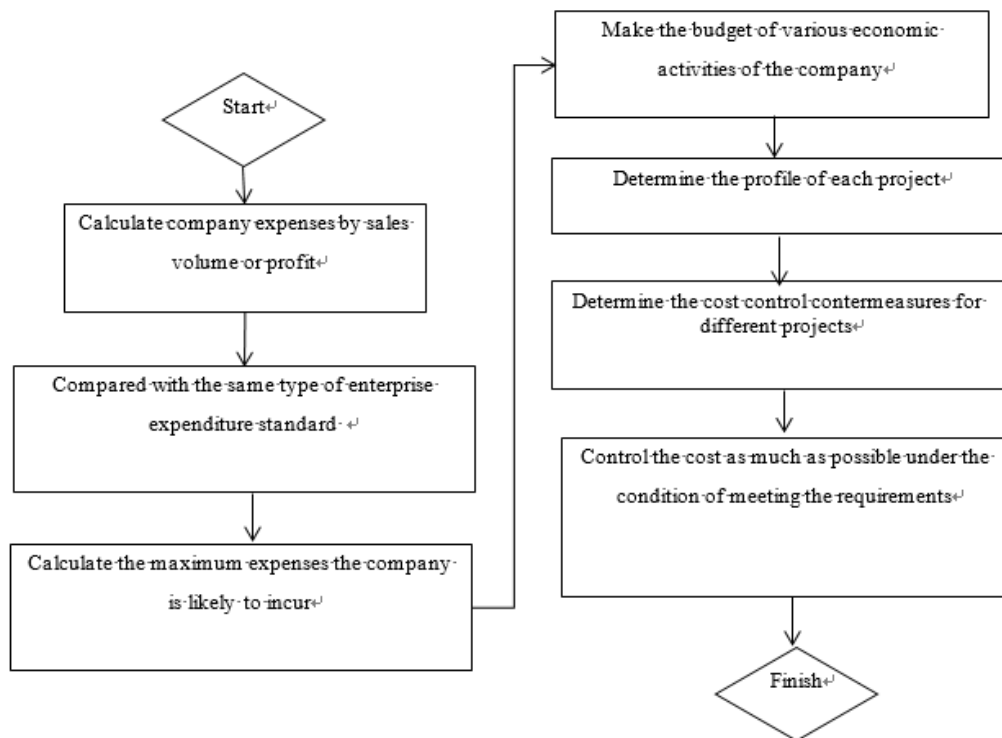


Figure 1: SMEs cost control process

#### 4.3. Sound cost control system

Fully implement the cost policy, strengthen the budget management of economic activities and fully implement cost control. Firstly, enterprises should make scientific prediction and calculation of the occurrence of various costs, and achieve a combination of ante control and post analysis; secondly, enterprises should establish and improve the cost management system, so that the cost management system is consistent with the economic development goals of enterprises. Enterprises should establish cost control and assessment and evaluation system, and take cost control as an important content to evaluate the annual operation performance of the company. They also should establish the reward and punishment system of cost control to motivate enterprises to improve economic management and save operation cost. In addition, enterprises should implement the cost assessment and cashing mechanism, and reward and punish the enterprise cost management work according to the actual situation of enterprise operation. Cost control should be increased in the production and operation. To strengthen the cost management work from strengthening the whole staff cost awareness and cost concept, the specific process is shown in Figure 2, deal well with job between the enterprise operation platform, cost and users, and strictly control each link to lay the foundation for cost reduction.<sup>[3]</sup>

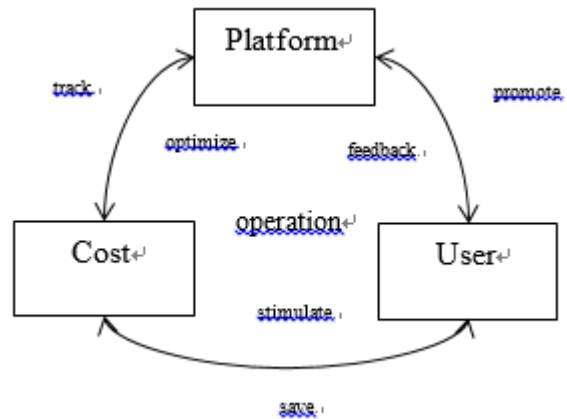


Figure 2: Schematic diagram of each link of cost control

#### 4.4. Optimize cost monitoring mechanism

Cost control should firstly be strictly controlled from the bidding of construction projects, contract signing, material and equipment procurement, project organization and design and project completion and acceptance. A strict and effective management system should be established and the principles of openness, fairness and impartiality should be adhered to. The project implementation process should be strengthened in the key aspects of the project quality issues that are prone to timely follow-up supervision and inspection to avoid problems. In the contract signing and material and equipment procurement to strictly check, strengthen the process supervision, the implementation of the plan assessment and acceptance system, the project quality and safety, progress control as an important part of the assessment of cadres work performance and rewards and punishments. Strictly implement the relevant project completion and acceptance management and other systems and standards and norms. Ensure that all economic activities of SMEs can be carried out smoothly and lay a solid foundation for SMEs to achieve sustainable development.<sup>[4]</sup>

#### 5. Conclusions

To sum up, cost control is to control the occurrence of possible costs and the consumption of costs in the whole process of cost occurrence by strengthening management, so that it can be effectively managed at a relatively low level, thus achieving the purpose of cost reduction. The goal of cost control is to create the maximum profit for the enterprise. Only by fully understanding the importance of cost control to the development of the enterprise and taking scientific and effective management methods and measures can we really achieve the strategic goal of long-term development of the enterprise, so as to continuously improve the overall efficiency of the enterprise.

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