

Research on the Problems and Countermeasures of Enterprise Cost Management - Taking M Enterprise as an Example

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Abstract:

The manufacturing industry has always played an extremely important role in China's national economy, providing strong impetus for economic development. Cost management primarily focuses on effectively managing the operating expenses of enterprises, employing scientific techniques and management practices to enhance the rationality of production at various stages of manufacturing. This ensures that the company's operating expenses are strictly and effectively controlled, avoiding both resource shortages and excesses. Therefore, manufacturing companies need to emphasize cost management in their operations, transforming and upgrading current business activities from different perspectives to further improve the efficiency of cost management. Based on extensive literature, this paper examines the current state of cost management, highlighting its importance and necessity for the development of manufacturing enterprises. It analyzes the current cost management status and recent business performance of Company M, revealing that while the company's revenue shows an annual upward trend, its profit margin remains low, reflecting high costs across various areas. Finally, it proposes measures addressing these shortcomings, considering both internal and external environmental factors, which can serve as a reference for other companies in their cost management efforts.

Keywords:

Small And Medium-sized Enterprises, Manufacturing Industry, Cost Management, Budget Management

1. Background and Significance of the Topic

1.1. Background of the topic

In recent years, the role of small and medium-sized enterprises (SMEs) in the national economy has become increasingly prominent: they boost economic growth, meet employment needs, drive technological development, and optimize industrial structure. By 2022, the number of SMEs nationwide had exceeded more than 90% of

the total number of enterprises, contributing on average over 60% of the country's GDP and around 50% of tax revenue annually. Meanwhile, data from the 2022 SME survey report indicates that by the end of 2022, the number of SMEs in China had surpassed 52 million, an increase of 51% compared to the end of 2018. According to incomplete statistics, three-quarters of urban employment in the country is held by SME workers. SMEs are widely distributed across various sectors, focusing on rational industrial allocation. By promoting coordinated development through upstream supply chains and downstream industrial chains, they facilitate the integration and progress of enterprises at all levels, optimizing the existing industrial environment. This has become a key factor in ensuring the stability of supply and industrial chains.

Company M is a small to medium-sized manufacturing enterprise dedicated to the research, design, and sales of pharmaceutical products. Currently, competition in the pharmaceutical industry is extremely fierce, but Company M's cost management methods are relatively outdated, leading to higher costs compared to its peers, which affects the realization of operating profits. In response to this situation, this paper takes Company M as a case study, providing guidance for cost management in small and medium-sized manufacturing enterprises based on both theoretical and practical considerations.

1.2. Research significance

1.2.1 Theoretical significance

The article, based on the study of Company M's current cost management status, identifies existing cost management issues and conducts a corresponding analysis. It proposes suggestions and measures that align with cost management principles, offering new directions and ideas for corporate cost management. Through the research on Company M's cost management, it optimizes and fills in the aspects that small and medium-sized manufacturing enterprises should pay attention to when managing costs, as well as the factors to consider in practical application. At the same time, it enriches the systematic research approach to cost management theory, providing food for thought for further development of cost management theory.

1.2.2. Practical significance

This article identifies issues in Company M's cost management process through analysis and proposes corresponding solutions. It also promotes the construction of a cost planning system, strengthens the concept of cost management, and updates traditional cost management to dynamic cost management. This approach aims to achieve lifecycle cost management, enabling Company M to secure its survival space in fierce competition. At the macro level, advanced cost management methods are adopted to continuously reduce costs at the micro level, placing the company in a relatively advantageous strategic position. The long-term implementation of a cost strategy relies on effective cost management. To achieve maximum economic benefits, companies must comprehensively cover their operational conditions and reinforce the strategic concept of cost management. For manufacturing enterprises, it is crucial to manage the relationships between various stages, as each task involves multiple steps. Systematic cost management of internal processes is an extremely important step. Additionally, it is hoped that the recommendations derived from this study regarding cost management for small and medium-sized manufacturing enterprises can pave new ways for other such enterprises in cost management.

1.3. Literature review

In 1911, “the father of management” Taylor first proposed in the United States to strengthen scientific cost management, replacing the existing empirical management theory with scientific management theory [1]. In the 1980s, British management scholar Simon, focusing on cost control theory, introduced the strategic cost control theory [2]. This theory, from the perspective of cost control, points out at the strategic level of enterprises that reducing costs can enhance their strategic development status. Cost management refers to a series of scientific management practices taken in the process of business operations, including cost planning, cost accounting, cost analysis, cost control, and cost evaluation. Cost management is an important component of enterprise management, its implementation requires the promotion of senior managers and participation from all levels of management and employees. With social progress and technological development, large-scale production has become an inevitable historical trend in today’s society. As more large-scale manufacturing enterprises emerge, cost management becomes even more crucial in enterprise management!

1.3.1. Study on the necessity of cost management

Regarding the necessity of cost management, Kennedy et al. argues that lean production in the manufacturing process can help cope with uncertain environments, thereby enhancing corporate competitiveness [3]. Kan Wu proposes that cost control is a crucial aspect of every project, necessitating the management of internal organizational structures to reduce overall costs [4]. Guan Xueyan believes that to achieve lower prices and greater advantages compared to competitors, one must continuously cut costs . Moreover, cost management is not a one-time effort but a long-term practice, not limited to the production and manufacturing stages but involving control throughout the entire process from preparation to recovery.

1.3.2. Research on cost management optimization

Regarding the optimization of cost management, some persons pointed out through extensive research that cost management in enterprises should not be confined to the management stage but should integrate with overall enterprise management. It is necessary to conduct in-depth cost management within the overall operational rules of the enterprise, achieving optimization and comprehensive control of the cost structure, further avoiding potential cost risks that may exist in the enterprise . Wang through an in-depth analysis of the concept of cost management, identified two key factors in improving cost management and establishing systems: building cost control centers at all levels and implementing responsibility systems within their respective control scopes. In the process of enterprise cost management, a cost control responsibility system should be implemented, assigning economic authority to each responsibility center according to the principle of linking rights, responsibilities, and interests, fundamentally addressing cost issues, thereby enabling effective cost management . Xu pointed out through research that cost management not only involves the management of business operations but also includes the management of cost information. By managing the prediction, decision-making, planning, and evaluation of enterprise cost information, continuous optimization and improvement of cost management can be achieved, enhancing the industry competitiveness of the enterprise. In summary, current research on enterprise cost information management in China mainly focuses on strategic cost management, value chain cost management, and activity-based cost management . Wesley P. Townsend proposed that cost is a series of activities carried out over the course of an event, forming a lifecycle. For

each stage within this lifecycle, different cost control methods should be implemented [5]. Shin & Park found that internal control in enterprises can effectively assist in scientific management, optimize production costs, enhance operational efficiency, and strengthen core competitiveness [6]. Nian Xiaohong suggested that the prerequisite for project cost control is to break down the whole into parts, refining overall cost control objectives into smaller, more specific cost control targets, which can directly control costs [7].

1.4. Literature review

Cost management theory has been developing for many years. Through the long-term research of domestic and international researchers, a unique system has been established, yielding a wealth of significant achievements that have greatly promoted the progress of corporate cost and management. Looking at the overall development process of cost management, the development abroad is much earlier than in China. Many advanced theories have been tested through long-term practice, laying a solid foundation for corporate cost management. Turning our attention back to China, although the development of cost management in China started later, it has been widely applied in various aspects of the socialist market economy characterized by “free markets” and “macroeconomic regulation.” In some areas, it has even reached world-leading levels. Cost management theories are diverse, but traditional cost management theories, which are limited by various factors, can no longer meet the needs of modern enterprises. The essence of cost management is to establish a systematic cost management system for financial work in daily operations, helping managers make optimal decisions. Traditional cost management must adapt to the current era's context and undergo timely transformation. The development of external technologies requires cost management to shift towards big data and informatization. This is not only to keep up with the trends of the times but also to liberate productivity, replacing some grassroots managers with intelligent management, thereby promoting both efficiency and effectiveness. Based on cost management, this paper studies the effect of cost control in manufacturing enterprises in practice, so as to provide a direction for Chinese enterprises to optimize cost management.

2. Basic information of M Company and Its Current Cost Management

2.1. Company Profile

Shangyao Holding Company M is a subsidiary of Shanghai Pharmaceutical Group Co., Ltd., specializing in the production of medical products (hereinafter referred to as Company M). It was officially established on June 2, 2016, with a registered capital of 4 million yuan. The company is a medium-sized enterprise and is one of the most popular pharmaceutical companies in the M area. Its business scope is extensive, including traditional Chinese medicine, Chinese herbal decoctions, chemical drug formulations, antibiotics, biochemical drugs, biological products (including blood products but excluding vaccines), protein anabolic agents, and peptide hormones; medical devices, cosmetics, disinfection supplies, health foods, prepackaged and bulk foods, dairy products (including infant formula), family planning supplies, eyewear, daily necessities wholesale; other trade brokerage and agency activities, social and economic consulting services, other professional consulting activities, other technology promotion service activities, business training services, etc.

In recent years, with the slowdown in national economic growth and the accelerated transformation of the pharmaceutical industry, Shanghai Pharmaceutical Holding Company M has seized the trend of rapid integration and upgrading in China's pharmaceutical sector. Leveraging the overall strengths of Shanghai Pharmaceutical Group, it continues to advance its national strategy, deepen service innovation, and accelerate industrial breakthroughs. The company is committed to providing innovative pharmaceutical supply chain services and medical extension services, continuously creating customer value and enhancing public health. It aims to develop into a world-class technology-driven health service enterprise.

Currently, the company implements a two-tier management approach, dividing enterprise management into two levels: senior management and grassroots management. Senior management is primarily responsible for planning, decision-making, and strategy formulation, while grassroots management focuses on execution, supervision, and implementation. By clearly defining roles, management can become more specialized and refined, thereby enhancing efficiency and effectiveness.

The decision-making power for the company's core policies and future product selection lies with the General Manager. The Human Resources Department primarily focuses on optimizing internal personnel and attracting external talent, ultimately promoting the full development and utilization of human resources. The Materials and Equipment Department mainly selects appropriate channels to purchase raw materials and develop certain new materials. The Finance Department is mainly responsible for financial work related to various products as well as the accounting records and calculations for the entire company.

2.2. M Company's cost management status

From the perspective of cost management, the organizational structure of this company appears overly simplistic, with too few connections between departments. To cut costs, multiple projects are often carried out under the same department. For example, the finance department is responsible not only for financial tasks but also for tax planning. The extensive setup of business units significantly increases the workload of employees, reducing work efficiency. While it seems to reduce the cost of adding specialized departments for management, it actually overlooks other potential issues caused by decreased employee efficiency and complex job content, leading to increased costs. In summary, the organizational structure of this company needs optimization.

Company M's product range is extensive, particularly in the sales of chemical drug formulations and traditional Chinese medicine products. This is mainly due to the increased demand driven by global safety and health management needs over the past few years, which naturally led to higher sales volumes. However, the rise in raw material costs has resulted in a decline in profits for Company M's related industries. In terms of revenue in 2021, chemical drug formulations, traditional Chinese medicine, and medical devices accounted for the majority of the total income. By 2023, these categories had reached 70% of Company M's revenue.

The production and sales of any product require substantial resource investment. All expenses from manufacturing to external sales are reflected in monetary terms as costs. Based on the nature of work in manufacturing enterprises, product costs can be categorized into operating costs, financial expenses, sales expenses, administrative expenses, and R&D expenses. Operating costs mainly include labor costs, material

costs, machinery depreciation, depreciation, utilities, etc.; financial expenses primarily consist of interest payments and handling fees; sales expenses mainly include market service fees, advertising costs, transportation fees, employee salaries, etc.; administrative expenses mainly include travel expenses, insurance premiums, depreciation and amortization, employee salaries, etc.; R&D expenses mainly include raw material costs, depreciation and amortization, employee salaries, etc. The detailed cost information for this enterprise is shown in Table 1 below:

Table 1. Breakdown of Operating Costs.

Item	2020	2021	2022	2023
Direct Labor	278.06	331.90	428.15	512.09
Direct Materials	1820.02	2172.96	2802.46	3447.30
Manufacturing Overhead	429.72	513.17	661.71	786.87
Total Operating Costs	2527.80	3018.03	3892.32	4746.25
Operating Revenue	2746.42	3226.43	4087.37	4895.51
Operating Cost Ratio	92.04%	93.54%	95.23%	96.95%

Note: All values are in RMB 10,000.

From the company's cost of goods sold statement, it can be seen that direct materials account for the largest portion of operating costs, followed by direct labor and manufacturing overhead. These detailed expenses make up approximately 72%, 11%, and 17% of total operating costs, respectively. Therefore, for Company M, the core of cost management should focus on raw material expenditures. Additionally, the cost of goods sold ratio has been increasing annually, directly reflecting that the company's costs have been rising year-over-year, indicating a decreasing efficiency in cost management.

Table 2. Unit Cost Budget of Company M.

Item	2020		2021		2022		2023	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Direct Materials mm Materials	264.81	278.06	311.50	331.90	400.04	428.15	496.24	512.09
Direct Labor	1733.2 7	1820.0 2	2039.3 7	2172.9 6	2618.4 4	2802.4 6	3340.6 0	3447.3 0
Manufacturing Overhead	409.24	429.72	481.62	513.17	618.26	661.71	762.51	786.87
Total	2407.3 2	2527.8 0	2832.4 9	3018.0 3	3636.7 4	3892.3 2	4599.3 4	4746.2 5
Over Budget Amount	120.48		185.54		255.58		146.91	
Over Budget Rate	5.00%		6.55%		7.03%		3.19%	

Notes: All values are in RMB 10,000.

Over Budget Amount: Actual Cost – Budgeted Cost.

Over Budget Rate: (Over Budget Amount / Budgeted Cost) × 100%.

According to the data in Table 2, Company M's operating cost budget is always lower than the actual operating costs each year, and as operating costs rise, the gap between the two grows larger. This directly reflects that the company's management

of its operating cost budget is severely lacking. Moreover, based on the current data, Company M has not implemented any improvement measures. The annual budget discrepancies with actual costs are gradually increasing, which is detrimental to reducing corporate costs.

3. Problems Existing in Cost Management of M Company

For the daily operations of a company, the process from resource input to finished product output involves multiple stages. Generally, it starts with design, followed by raw material procurement and product manufacturing, ultimately leading to sales. These stages are not independent but interconnected and interact with each other, and their combined effect impacts the cost of the product. By studying and analyzing the current state of cost management at Company M, and investigating the company's expenses and other financial data over recent years, it is evident that Company M has multifaceted issues in cost management. Additionally, due to long-term single-minded and crude management of cost control during the product manufacturing process, the importance and necessity of controlling costs in procurement and R&D phases have been overlooked. The cumulative adverse effects have severely impacted the efficiency and effectiveness of the company's cost management. Therefore, the main issues in cost management at Company M lie in the following areas.

3.1. Unreasonable budget formulation

From the basic cost budget situation of Company M in Table 2 of Chapter Two, it is evident that the difference between the company's budgeted costs and actual costs is shown that the budgeted cost for 2020 was 24,073,200 yuan, while the actual cost was 25,278,000 yuan, with a discrepancy of 1,204,800 yuan. This indicates an increasing trend in the gap. From the perspective of comprehensive cost budget management, the ultimate goal is to achieve the organization's cost objectives, making the company's decision-making more detailed and laying the foundation for cost control and related activities. Budget management involves checking the current business operations according to the expenditure and revenue standards set in the budget, ensuring that the production costs of the company's products are strictly and effectively controlled. The product cost budget management of the company mainly includes three key stages: setting target costs, analyzing and interpreting target costs, and achieving the target budgeted costs.

First, regarding the setting of target costs. For a company to set a more realistic target cost, it must thoroughly analyze the current external market environment and develop a systematic and scientific cost management system and plan. In the relevant survey of Company M, it was found that the company's overall work on cost budgeting is rather superficial. It merely implements cost budgeting in form, as shown in Figure 3-1, where the budgeted costs for the past four years were 240.732 million yuan, 283.249 million yuan, 363.674 million yuan, and 459.934 million yuan, respectively. The actual costs were 252.780 million yuan, 301.803 million yuan, 389.232 million yuan, and 474.625 million yuan, with no budgeted cost differing from the actual cost by less than 10 million yuan. On the surface, Company M indeed prepares early-stage cost budgets every year, but during the preparation process, it only uses the cost and expense amounts of the previous period as a standard to set the current period's cost budget level, neglecting to incorporate the actual situation of the current period into the budget formulation. Therefore, the initial cost budget plan generated must be biased. Second, regarding the analysis and dissection of target costs.

When the target cost management plan is established, it is necessary to analyze all aspects of the company's production operations, breaking down large tasks into smaller ones and assigning each small part to relevant departments within the company. This ensures that the cost budget management plan can be smoothly implemented while also guaranteeing its practical effectiveness, ultimately achieving the company's target costs. In Company M, due to the cost budget standards being entirely based on those from the previous period without a scientifically determined long-term strategic direction or appropriate standardization criteria, the classification of actual cost expenses in this period has become rather vague. This has led to underestimation or overestimation of actual costs compared to the budget, resulting in resource shortages or wastage. Finally, regarding the realization of budgeted target costs, companies need to boost employee enthusiasm through work incentives, performance incentives, or other motivational methods. At the same time, they should establish corresponding budget management regulations to regulate employee behavior, ensuring the comprehensive implementation of the company's cost budget work and ultimately achieving organizational cost targets. In the actual management practices of Company M, after the target cost budget plan was formulated, senior managers did not pay attention to the actual operation of the plan. The neglect at the top level led to a lack of emphasis on achieving the target cost among middle-level managers and their subordinates. They only focused on setting a budget target cost at the beginning, ignoring the subsequent execution effects of the plan, believing that achieving the budget target was solely related to the finance department and had no direct connection with their own work. It can be seen that the ideological construction of employees in M company's cost management work is insufficient. The weak awareness of employees leads to the poor cooperation and coordination between work, and the relevant enterprise cost management work is heavily "formalistic".

3.2. High procurement cost

Company M is a manufacturing company. According to Chapter Two, its main business focuses on the production and sales of chemical pharmaceutical formulations, traditional Chinese medicine, and medical devices. These products have high requirements for both the quantity and quality of raw materials. However, due to the impact of the pandemic in recent years, many companies were unable to resume operations, leading to a reduction in supply from upstream enterprises. This caused a tight inventory situation in the raw material market, with unstable supply levels, which directly resulted in a significant increase in raw material costs.

Data from the cost structure of Company M show that procurement costs account for about half of the company's total costs, undoubtedly making it the primary cost expenditure. Additionally, procurement costs increased from 13.4405 million yuan in 2020 to 25.7567 million yuan in 2023, with their proportion of total costs rising from 45.32% to 46.34%. Over these four years, both the amount and proportion of procurement costs have shown an upward trend. Furthermore, considering the overall industry situation, the average ratio is around 45%, and Company M's ratio is higher than the industry average, indicating that there are issues with Company M's management of procurement costs. Under normal circumstances, procurement costs are directly related to the output of the company. From this perspective alone, the increase in procurement costs also represents an expansion in production volume. However, for the company itself, the ratio of procurement costs to total costs has been continuously increasing, suggesting that the company's control over procurement

costs has been weakening year by year, necessitating enhanced management of procurement costs. At the same time, due to the large number of drug varieties produced by our company, there are more types of raw materials required, which has high requirements for procurement personnel and complicated procurement processes. However, the company's cost management awareness is shallow, and the coordination and arrangement of personnel are not in place, leading to the blockage of raw material price information and procurement information related to relevant markets, indirectly increasing procurement costs.

3.3. Inaccurate cost data

The cost data of Company M is not accurate. The author will start from the perspective of labor cost of the company. The labor cost of our company is shown in the following table:

As can be seen from the data, the labor costs of Company M account for about 12% of the total cost, which is relatively stable overall. Generally, a stable indicator in a company represents a good situation; however, this stability in our company seems rather unusual. According to statistics from the company's ERP payroll system, the ratio of employee salaries to total costs has been 10.98%, 10.32%, 10.18%, and 10.25% over the past four years, respectively. This is significantly lower than the results calculated from the relevant data in the reports, indicating a discrepancy between the actual employee salaries and the standard labor costs included in product costs. The reasons for this discrepancy are twofold: firstly, the company does not arrange work hours according to standard regulations but instead schedules overtime or shifts based on workload needs, thereby extending the working hours of employees, which violates relevant labor laws; secondly, there are errors in the company's calculation of employee salaries, such as failing to timely record overtime pay and bonuses in the ERP payroll system, leading to inaccuracies. Therefore, the company needs to continuously optimize its employee scheduling and salary calculations, reasonably control labor costs, improve the calculation of labor costs, and reduce the discrepancy with actual conditions.

4. Analysis of the Causes of Cost Management Problems in M Company

4.1. The budget system is not sound

Currently, Company M's budgeting process is roughly as follows: First, the finance department aggregates budget data from other departments. Then, senior management formulates a long-term budget execution plan. This budget formulation process is efficient; however, due to limited communication between departments during the budget preparation, there is slow and scattered information flow, leading to rough demand formulation for related budgets. Budget preparation does not rely solely on the finance department; lack of communication and collaboration among departments in actual work can result in significant discrepancies between the budget and reality, ultimately reflecting in costs and posing challenges for cost management.

4.2. The cost management concept of the enterprise is outdated

In China, most corporate management is "mechanical" in nature. The advantage of this management model lies in its stability and efficiency, but it hinders innovative management practices, appearing rather conservative. In terms of cost management,

Company M primarily follows traditional methods, focusing on savings across all fronts, with an excessive emphasis on cost reduction in product manufacturing. They believe that as long as the cost of products decreases, overall expenses will also decrease, making the “cost theory” the core philosophy of the company. This cost management approach is too narrow, overlooking that an organization is a collaborative system where each link is interconnected. As a result, while it may appear on the surface that the company’s cost expenditures have been reduced, it actually affects necessary expenses, leading to an overall increase in the company’s costs. For example, cutting product quality inspection expenses can severely degrade product quality; reducing employee training costs can prevent improvements in employee mindset and skills; and arbitrarily cutting R&D expenses can result in products failing to better meet customer needs, ultimately eroding competitiveness. Through certain channels, the author learned that within Company M, only the finance department places significant importance on the practical implementation of cost control. Other departments merely understand this concept without further studying related methods. Most people believe that cost management is the responsibility of senior leaders and managers, not directly related to them. This leads to unsatisfactory results in cost management within the company. The grassroots staff make up the majority of a company’s workforce and are the most direct executors of cost control. The effectiveness of a company’s cost control largely depends on these frontline personnel. Without systematic training in cost management for these individuals and without enhancing their awareness of cost control, even if senior management formulates an impeccable cost control plan, it will not be effectively implemented. An organization is a collaborative system where all levels must work together to achieve its ultimate goals.

Effective cost management requires the participation of all employees, but most people within Company M only focus on whether their tasks can be completed, unwilling to contribute to the company’s development or unaware of the need to do so. In such a situation, even if senior management continuously formulates and updates cost management plans, the low level of cost control awareness among employees still results in poor cost control outcomes.

4.3. The inventory procurement plan is not perfect

At present, Company M adopts the “large quantity, single variety” procurement mode, and the time for advance procurement is longer, which leads to the procurement process unable to adapt to the changes in market demand and slow response speed to market demand.

The composition of the company’s sales revenue shows that the proportion of product sales has been changing in recent years. This, to some extent, reflects the ever-changing market conditions. In the future, medical devices and consumables may become the primary demand products. In response to this situation, the company needs to promptly adjust its raw material procurement plan. However, Company M has only made improvements in procurement volume to avoid stockouts. Compared with the more flexible “small batches, multiple varieties” strategy, this approach is less effective. Moreover, the “small batches, multiple varieties” strategy is more suitable for small and medium-sized enterprises because it allows for timely updates and adjustments in subsequent purchases based on early market feedback, thus meeting current market demands.

5. Improvement Plan of Cost Management of Company M

5.1. Improve the awareness of personnel cost management

An individual's actions are guided by their consciousness, so cost management should first enhance the cost management awareness of internal personnel. On this point, the author offers the following suggestions. First, strengthen cost awareness. Through training and education, instill a cost-conscious mindset among all employees, understanding the importance of cost management and control. This includes the principle of combining technology with economics, giving equal weight to production and management, as well as the connection between cost management and personal responsibilities. Second, leverage the role of management entities. Focus on those who influence and participate in the company's costs, such as decision-makers and department heads. These individuals should recognize the importance of their initiative in reducing costs and cultivate a cost-conscious and efficiency-oriented mindset. Third, establish modern cost awareness. Management should prioritize cost management and control, continuously seeking opportunities to reduce costs while ensuring that cost reductions are based on maintaining corporate benefits. Finally, achieve comprehensive cost control. Both senior executives, production managers, and frontline staff should develop a cost-conscious attitude, enhancing employees' sense of ownership and execution through organizing cost education for all staff.

5.2. Promote the information management of production cost budget coordination

Comprehensive budget management involves forecasting the potential production costs of a specific activity during its execution to help companies adjust their budget arrangements in a timely manner and reduce budget variances. In response to the cost budget management issues identified in Company M, the author proposes the following solutions. First, set clear goals for comprehensive budget management. To standardize routine tasks and enhance operational norms across all work processes, making budget management more systematic, it is essential to establish an information platform for cost budgeting and integrate relevant regulations into this platform. This platform not only enhances collaborative information management within the company but also ensures rational resource allocation through budget formulation, control, and evaluation activities. Ultimately, it helps achieve the company's strategic objectives. Additionally, on the basis of integrated information, the comprehensive budget system can be more closely linked with other internal systems, making information flow within the company more efficient and richer. Moreover, integrated information management can monitor actual cost situations in real-time, promptly reflecting cost overruns, allowing managers to implement preemptive controls and develop appropriate strategies in advance. Second, the construction of a comprehensive budget management system should aim to maximize corporate profits. Production activities are value-creating management activities; although different companies may vary in organizational goals and working methods, their business operations are all processes that generate value. Enterprises should integrate the concept of cost management into every link of enterprise production activities, and aim at creating corresponding value, so as to ensure that the whole process of enterprise manufacturing and the corresponding management of products are producing value.

The above two points can strengthen the integrated management of M's overall cost budget, make the business objectives more in line with the actual situation, make the

budget formulation of each department more scientific, and get stricter constraints on the corresponding production process costs, so as to make the comprehensive budget management play an effective role and achieve organizational goals.

5.3. Optimize procurement work

The procurement costs of Company M have been rising year by year in recent years, so it is necessary to strengthen the effective management of the procurement process and clarify the responsibilities of procurement personnel. Before executing procurement tasks, it is essential to understand the relevant plans set by production, specify the quantity of materials to be purchased, and pay attention to three key factors: the inventory level of raw materials, the material allocation ratio, and the planned material quantity. Subsequently, the procurement manager should develop further procurement plans based on material orders. If necessary, these plans should be adjusted and updated promptly, and they should be as complete as possible before procurement activities begin to avoid last-minute planning. During the procurement process, supervisory personnel must also play an active role, guiding and coordinating procurement work. They should require procurement personnel to provide important documents such as contracts and agreements related to the procurement process to management in a timely manner, so that if any issues arise with materials later, the relevant personnel can be held accountable directly. If multiple materials need to be purchased during the same operation period, they should be prioritized based on their current urgency or the size of their demand, and a procurement plan should be formulated to determine which raw materials to purchase first. Finally, after purchasing materials, they should not be immediately stored; instead, specialized personnel or teams should conduct random inspections to ensure that the raw materials meet corporate standards and do not affect the smooth progress of subsequent production work. In summary, Company M's procurement work should focus not only on purchasing costs but also on material quality.

6. Conclusion and Prospect

6.1. Main conclusions

In the current ever-changing market environment, the survival of small and medium-sized manufacturing enterprises is extremely challenging. Currently, raw material prices fluctuate significantly, and competitors within the industry are constantly optimizing and upgrading. As a result, many small and medium-sized manufacturing enterprises are seeing decreasing profits. Therefore, research on cost control in the small and medium-sized manufacturing sector has strong practical significance. This paper conducts a comprehensive study of M Company's cost control process. First, it thoroughly reviews the current state of cost management research both domestically and internationally, learning relevant theories of cost management. Based on this learning, it systematically analyzes M Company's current status in cost management, identifies some issues, and proposes corresponding improvement suggestions. The aim is to optimize M Company's cost management and enhance corporate value. The relevant research conclusions are as follows:

First, there are numerous issues with the current cost management of Company M: starting from the cost budget, the company's cost budgeting is unreasonable, leading to significant discrepancies between actual and budgeted costs; regarding material procurement, the company's procurement costs are high, consistently exceeding

industry averages over the past four years; concerning cost data, inconsistencies exist between the data in the ERP system and reports, indicating improper recording of cost data.

Secondly, to address the issues in M Company's cost management, the author analyzed the problems within the company and found that they mainly stem from an incomplete budget system, outdated cost management concepts, and inadequate inventory procurement plans. Timely measures taken in these areas can help M Company manage its costs more comprehensively, efficiently, and systematically, addressing the current shortcomings in cost management.

Finally, starting from the issues of Company M, the article proposes targeted optimization measures for cost management based on further analysis: First, enhance awareness of personnel cost management. This perspective is taken from a macro level of the company; only by improving personnel's awareness of cost management can relevant cost management tasks be effectively carried out; Second, promote the informatization of production cost budget coordination. Integrate comprehensive cost budget management to optimize budgeted costs and leverage the role of comprehensive budget management in cost control; Third, optimize procurement work. Optimize the management of raw material procurement to manage costs directly at the source;

6.2. Future outlook

This paper studies the cost management of Company M from many aspects, and puts forward relevant suggestions with strong practical significance. However, due to my shallow knowledge and research level, as well as the subjective and objective reasons faced by the current company, this study has the following limitations:

The first point is that due to the lag in the development of M Company's cost management system, many advanced cost management solutions and experiences cannot function well in current enterprises; the second point is that since cost-related information within a company is classified as confidential, the cost data presented in this article has certain limitations, making it impossible for the proposed improvement measures to be entirely precise; the third point is that the research on M Company's cost management in this paper is relatively superficial, and the scope of the article is limited. The analysis of issues and proposed solutions have not been thoroughly explored, and more in-depth analysis of M Company will be conducted in the future.

Through the writing of this paper, the author had deepened my understanding of relevant methods in cost management research and recognized the channels for transparent, institutionalized, and standardized management objectives. This will play a crucial role in my future studies and work. At the same time, I hope that this paper can provide some direction for M Company's cost management, encouraging the company to actively engage in cost management construction, combining theory with practice to promote the company's cost management and long-term development. However, due to the limitations and shortcomings of this study, I will continue to focus on cost management research in my future studies and integrate theory into practice in actual work to optimize and improve M Company's cost management system.

Conflicts of Interest

The author declares that there is no conflict of interest regarding the publication of this article.

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