STRATEGIC MANAGEMENT OF COSTS - THE MAIN TOOL OF COMPETITIVE ADVANTAGE IN THE CURRENT ECONOMIC ENVIRONMENT

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Abstract
Both global and national hipercompetiţia and globalization are two phenomena that generate complexity and instability in the business. Therefore, the economic context in which organizations operate has changed a lot, the current environment characterized by globalization, increased competition, rapidly changing, market segmentation, changes in technology, demand volatility, the importance of information. These phenomena not only create a state of turmoil and turbulence in the competitive environment and generate changes in market conditions, but require changes and development in organizations. In these circumstances organizations worldwide are forced to adapt constantly, products and services to market needs to turn its attention to customer satisfaction, they need sophisticated production processes, internal processes flexible to respond quickly to changes environment.
Therefore to achieve any competitive advantage, organizations must take the current economic environment strategies that integrate environmental opportunities, market and technology advantages in the most efficient way. In this context the question of modernization, the transformation cost information system, an adaptation to the realities and requirements of this, to change tools, processes and methods to meet current scientific and technical progress.

Key words*: cost strategy, value chain analysis, strategic positioning, sources of cost,direct value added*

JEL classification: *http://www.aeaweb.org/journal/jel_class_system.html*

1. Introduction

Undoubtedly, information about costs is very important. Under the double effect of increasing competitive pressure and increasing the number of products and production processes, companies are forced to consider more than cost, to determine the precision achievable selling prices and margins for each product. Knowledge of data is necessary and appropriate decisions and monitoring their implementation. Most of them concern: business influences on business activity, the extent to which costs are competitive enterprise, the company's profit margin according to its production structure, developments costs - related to developments in production and other influencing factors, components cost of actionable, rationality development costs and measures can be taken; size deviations from budgeted indicators and their impact on business in general and in particular production margins.

In connection with this new vision, is particularly important today given the cost management system. Increasingly, however stated that the cost management system should take into account, obviously, the strategic business vision. Incorporating the principle of strategic cost management is a definite need for modern management system. This approach forms the foundations for a new philosophy of cost. It is no intention to diminish the importance of the traditional approach to cost management, which was very useful to managers in making decisions so far. But the traditional view can not go forward if they are not considered business changes, which require a change of approach, based on new concepts and new types of thinking.

Taking a retrospective look we see a number of shortcomings of the Act cost information system used in the vast majority of Romanian companies:

1. organization of production and cost accounting are managed separately the gifted generate setting different objectives, often divergent;
2. the collection and allocation of indirect costs on the basis "keys", which are often inconclusive or inaccurate;
3. large gap between gathering information on costs and complete analysis leads to the impossibility of establishing and implementing practical measures to reduce operational costs;
4. do not delineate the costs of production in variables and fixed, which leads to reduced efficiency of cost analysis and diffusion responsibilities.

Criticizing traditional cost management, we emphasize that traditional cost management no longer meet the needs of management working in a newly competitive environment. These methods have lost their importance because, emphasize the company's internal environment and not oriented to the environment and external conditions and, in fact, are not the set of information needed by top management of the company, managing business in a competitive environment.

It is therefore necessary to improve management accounting mentality and achieve a more realistic optical about cost management and strategy. In this respect, strategic cost management helps them through the development and use of strategic management accounting techniques related to aspects of external information needs to cope with uncertainty and economic environment to support the decisions of a strategic nature.

2. Strategic cost management - its main tool in ensuring competitive advantage

Strategic cost management is a consequence of mutations that occur in the current environment and requires a permanent adaptation of tools and techniques so as to improve the strategic position of organizations. For management accounting information provided to be useful to managers in the organization's strategic objectives, management accounting system should be designed and used to follow the mission and competitive strategies of organizations, by conducting an analysis in relation to the economic environment, the costs associated with customers, competitors, etc..

In this context, we stop first at refining the concept of strategy. Ever, the strategy is the art of winning the war. It applies to the company, in so far as it fights against competitors when its survival is threatened. Neologisms Dictionary defines strategy as *"the art of skillfully use all available means to ensure success in battle."* This vague definition does not provide any useful element for the company, but one very important: the strategy lies ahead fight. Therefore, if management is performance art, art strategy is effective.

For optimal transposition of the strategy, organizational restructuring operation is required. This involves choosing, distribution and organization of human, material and financial means necessary to achieve the overall strategy, highlighting the differentiated structures and mechanisms for the following subsystems:

• the accounting and management control;

• heritage and power of decision for piloting.

Subordinated financial constraints which determine independence and survival, the company can not be managed without economic measurement device. This should be abandoned in favor of economic technical language. Also, to connect positive environmental changes must prove that the company has to heritage, employment and capacity and hierarchical decision-making activities (difficult decision courage, leadership and empowerment of people's resources).

If you are provided two preconditions, effective strategic management at all levels requires strict completion of four stages. The concept of american authors are:

a. formulation of strategies;
b. communication of these strategies throughout the organizations;
c. development and implementation of tactical solutions to achieve these strategies;
d. development and implementation of controls to monitor the success of implementation stages and, therefore, to achieve strategic objectives

In addition, Shank and Govindarajan American economists developed in "Strategic cost management: the new tool for competitive Advantage" the concept of strategic cost management.

The cost is related to the entire document production and management of the company is justified increasing interest in developing a management strategy in costs.

Strategic cost management concept is widely used in modern organizations today, but unfortunately he has no invariable definition. Strategic cost management describes the methods and activities used by managers in planning and control decisions on short and long term that allow increased commercial value of products and services organization and reduced costs.

Managers may, for example, decisions on the amount and type of materials used and on changes in production processes and product design. Information provided by current accounting information systems help managers to take such decisions, but this information and accounting information systems is not a strategic cost management.

Strategic cost management has a wide application, it includes (but not limited to), for example, the objective of reducing ongoing costs.

Planning and cost control are generally inseparable from income and capital planning. Spores to revenues and profits, for example, managers can deliberately employ additional costs for publicity and to modify certain characteristics that make the products or services of their organization, their customers, to be unique. Also, the success of business organizations and is to provide customers a good value for money, while differentiating its competitors. The strategy is just to identify how an organization can achieve this goal. Successful strategies chosen largely depend upon the effectiveness of its implementation. Management accountant can and must contribute to strategies, the establishment of necessary resources and capacities and to implement strategies selected.

Competitive advantage can be achieved by the firm in several ways, which will determine and differentiate their strategies. According to this criterion strategies companies can be: aimed at reducing costs, product differentiation oriented, focused on finding a niche market and focused on product quality.

Strategic cost management (SCM - Strategic Cost Management), as a tool for competitive advantage is the combination of three main components:

1. value chain analysis and supply chain;
2. analysis of strategic positioning;
3. sources of cost analysis.

Value chain concept is to detail the various stages of the product corresponding to a field of activity, from raw materials to after-sales service. This is the most cost effective routing relevant.

The sequence of these steps, which are identified with the economic functions of an organization are: research and development, bio, production, marketing, distribution and servicing. Management accountants provide the information managers need to make decisions within each of these six economic functions.

Also, management accountants help managers to coordinate the economic functions of the value chain between them, for example looking at whether the additional costs made in research and development and desing will further reduce production costs and customer service.

Each economic function that adds utility products or service an organization is essential for this as it will allow to satisfy customers and keep them satisfied (even delighted) long. However, managers should not, however, to undergo sequential value chain when planning and managing activities. Organizations benefit (in terms of cost, quality and speed of development of new products) if two or more individual economic functions in the value chain work together on teams interoperable. For example, contributions managers in production, marketing, distribution and customer service in making design decisions often lead to production of models that reduce the costs of all value chain functions.

Another issue concerns the fact that some organizations contracted external providers to run one or more of these six economic functions. However, the objective of coordinating all economic functions of the organization or company level remains valid.

The concept of **"value"** refers to enhance the usefulness of a product or service and therefore its value for the customer. Knowing the value it brings consumer activity, and seeks to ensure the same amount with lower resources, thus better productivity achieved through better coordination of chain elements. In this case, analysis is fine as it strives to maximize the difference in tooth inputs and outputs (in other words "maximizing value added").

The concept of **"supply chain"** refers to the flow of goods, services and information from the original sources of raw materials and finished product delivery services to customers, whether activities shall be conducted in the same organization or different organizations.

Strategic cost management focus on integration and coordination of activities taking place in all organizations/companies in the supply chain and in all economic functions in the value chain of each organization/company basis. For example, to reduce storage costs and transport of raw materials, some companies, require suppliers to deliver small quantities of raw materials often directly production facilities. Another example is companies which he "borrows" many engineers to help their suppliers to streamline production processes. Instead, the company expected to benefit from some cost savings as suppliers lower prices.

The concept of strategic positioning is about finding the answer to the question: what role cost management plays in an organization? In the strategic cost management (SCM), the role of cost analysis differs depending on the method chosen by the company in the competitive struggle, namely:

a) on the one hand, *a company can compete with low costs*. These strategies are based on the postulate that the most competitive company has the lowest costs, in other words, minimizing company costs are based on its competitive advantages (attract customers by low prices).

b) on the other hand, *a company can compete by offering superior products* (differentiation). As a result, the company seeking differentiation strategy will strive to achieve optimal performance in terms of specific costs related to the uniqueness of its bid properly managing restante1 shared costs.

The third component of the strategic cost management is **analysis the sources of cost,** because they (the sources of cost) and output not best explain the behavior of costs. As a result, Porter and Riley tried to establish a complete list of sources of cost, and within it a group of cost sources into two categories, namely:

- structural sources;
- urse and execution.

The first category, *"structural sources"* refers to the economic structure of the company and depend on: the scale, range of coverage, experience, technology and production complexity. Every firm structural factor involved in the elections that will determine increases or reductions in product cost, as follows:

- *scale,* which sets how much should be investing in production, design and marketing;
- *range of coverage,* the degree of vertical integration, horizontal integration link as more than "scale";
- *experience* which considers the number of times in the past has made the company what it wants to achieve at present;
- *technology,* that are considered technological processes used in each step of the value chain of the company;
- *complexity,* which refers to how wide is the range of products / services offered to customers.

The second cost source is formed by *"sources of performance"*, which refers to the ability to perform well operations. Unlike structural sources for each "source of performance", "more" is always "better".

Main sources of performance include:

• *workforce* (labor force participation in continuous improvement activities);

• *total quality management* (hopes and achievements in the quality of products and processes);

• *capacity utilization* (depending on the scale chosen to build production capacity);

• *spatial organization of plant efficiency* (How effective is?)

• *configuration of* (design effectiveness);

• *exploiting linkages with suppliers and/or customers,* as indicated by the value chain of the company.

Therefore, development and management techniques strategic cost to be tool of competitive advantage, it is necessary to correlate with aspects of external information needs such as competition (competitors information plays a key role in achieving competitive advantage), trading (in terms of the value chain, exploiting external information utility in touch with suppliers and customers) and/or market (supposed to offer orientation services to meet customer needs). There are several techniques that can support strategic cost management and performance development decisions:

- *calculation and management of the activities* - strategic orientation of this technique lies in management activities with which it is possible to define actions aimed at obtaining a competitive advantage;
- *determining cost attributes* - such products / services as a set of attributes (features) that differentiate products and whose costs are determined, this technique can be interpreted as an externally oriented services as attributes are determined by customer requirements;
- *benchmarking* - involves the identification of best practices and organizational performance comparison with the practices aimed at improving performance, this technique aims external orientation by competitors;
- *monitoring the position of competitors* - aimed at obtaining information on competitors on sales, market share, unit costs, sales volume etc. from this information the organization can assess its position compared to major competitors;
- *costing competitors* - unlike the previous technique, costing competitors focus only on their cost structure, the main criticism of this technique the sources of information;;

- *competitors on the basis of the performance assessment of a county published* - the financial statements are a source of relevant information and the harmonization of international accounting allows for comparisons between organizations;
- *analyzing customers* - this technique considers customers or customer groups that book review sections and cover a aprieciere profit, sales or costs derived from those dealing with customer segments;
- *integrated performance measurement* - involves defining an integrated performance measurement system, which includes both financial ratios and non-financial (eg balanced scorecard);
- *life cycle cost* - aimed at calculating the total cost of the product throughout its life cycle, from conception and design to decline, it's here on a long term perspective and market-oriented accounting;
- *cost of quality* - quality is a prerequisite for market success, this technique involves the costs of prevention and management of quality assessment, and internal and external nonconformities;
- *strategic approach to calculation* - computer systems must be integrated into strategic management process, which means that they must follow permenent strategy and achieving long-term competitive advantage;
- *strategic approach to pricing* - involves using information on competitors, on their reactions to changes in prices, their elasticity, economies of scale, etc.
- target cost system - in this technique is using a number of external factors;
- *value chain analysis* - proposes an approach to accounting that takes account of all activities performed from conception to the marketing of product policy implications concerning the operation and efficiency savings arising from the organization's external relations with both customers and with suppliers.

This statement of Strategy and cost management techniques reveals, on the one hand, that an approach based on analysis and control processes and activities is a sound basis for achieving strategic objectives, and on the other hand, that non-financial indicators are equally important to measure performance as indicators of financial.

3. Conclusions

Arts Strategy is to achieve in each of the areas of activity the firm is now a decisive competitive advantage, that decisive and sustainable. If this cost advantage strategy is provided by the company that has the lowest total cost. Differentiation strategies have the competitive edge company offering unique character. The cost strategy and differentiation in the notion of cost is present, but the approach is different.

Successful introduction of new products to market is essential for most companies. Bring to market new products faster than competitors allows the company to gain market share and quickly learn how to improve customer product, response times to market changes will be increasingly smaller companies that will be performances.

Erroneous information provided by the information system cost (in classical systems, traditional) lead to erroneous decision on the strategic management (and contributing to delays in reporting cycle due to typical traditional control).

As a conclusion to the above, whatever the sources of cost detained the basic ideas of SMC are:

- in strategic analysis, volume does not explain at best behavior costs;
- the strategic sense, is more useful to explain cost position in terms of structural options and performance skills that outlines the company's competitive position;
- not all sources are equally important strategic time, but some always remain important;

- for each source of cost, there is some cost analysis scheme, very important for understanding the positioning of a company.

Strategic cost management is not practiced by isolated manner, accesta integral part of development and implementation of general management. Examples of such synergies include programs designed to improve customer satisfaction and product quality and offered their serţiciilor and programs that promote the design of new "products-star".

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