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Impact of Cost Management in Strategic Decision Making

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Abstract

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Effective cost management has become a crucial component for firms seeking long-term success in the fiercely competitive business environment of today. This thesis explored how cost management has a significant influence on the way businesses make strategic decisions. Businesses can optimize resource allocation, improve operational efficiency, and create a competitive edge by coordinating cost management methods with strategic goals. In addition, this thesis evaluated the relationship between strategic decision-making processes and the major cost management components. To make well-informed decisions, it emphasizes the role of cost management in making strategic decisions. Qualitative research method and thematic interview was used to explore how cost management techniques help organizations in budgeting and investment planning using different strategic options thereby improving their capacity to take calculated risks.

The results show that efficient cost management greatly influences the creation and application of strategic business choices. Organizations can correctly determine the profitability of their initiatives, services, and products by studying cost behavior. The ability to identify cost drivers, allocate resources effectively, and prioritize investments with the greatest chance of success is given to decision-makers by this knowledge. In addition, organizations can commit funds to innovation, research and development, and other strategic projects by putting cost-benefit analysis into place, which will promote long-term growth and competitiveness.

In conclusion, this study emphasizes how crucial cost management is to make strategic decisions for business operations. It emphasizes the necessity for businesses to use effective cost management procedures to achieve operational excellence and obtain a competitive advantage.

Contents

Abbreviations

ICAI – Institute of Cost Accountants of India

ACCA- Association of Certified Chartered Accountants

CIMA- Chartered Institute of Management Accountants

ICAP- Institute of Chartered Accountants of Pakistan

ZBB- Zero Based Budgeting

DCF- Discounted Cashflow

NPV- Net Present Value

ARR- Accounting Rate of Return

IRR- Internal Rate of Return

PBP- Pay Back Period

PI- Profitability Index

1. Introduction

Cost management is an essential part of every organization in decision making process and it entails measuring the effectiveness of business leadership accountability, ensuring maximum degree of excellence, dependability, and efficiency at the lowest feasible total cost. Also, cost management encompasses the execution of successful strategies as well as the provision of resources and process discipline. Cost management does not border on cost reduction rather it is the process of performance optimization.

Moreover, cost management information provides outputs required for internal use by means of inputs and processes required to satisfy management objectives and it is not regulated by any external laws or postulates rather companies are at liberty to set the criteria that administer cost management. The output of the processed cost management information should aid business operations in costing for products or services, cost planning and control and making effective decisions amidst available alternatives.

In other words, cost management entails the application of cost management strategies that have impact in cost reduction while strengthening the strategic policy of an organization. Also, decision making in business operations could either be short-term or long-term, which involves investing huge sums of money in a project. However, short-term decision making in business operations is critical to the long-term accomplishment of any company goals and objectives.

In addition, businesses are compelled by the global intensifying rivalry to monitor the evolution and source of costs. Hence, processes within a firm need to be examined because cost pressure is continually increasing irrespective of the magnitude of the business or the sector it operates in. In view of deciding on optimal course of action, management evaluates the efficacy of many options to choose one. As a result, management requires directions and reliance on economic and financial information which are typically given in the form of data and knowledge of cost and management accounting.

Furthermore, this study aimed at exploring the impact of cost management in strategic decision making in business operations. This is in view to study the business operations of the case company after which recommendations will be given on the observed cost management system used in making strategic decisions. Thereby preventing pitfall that emanate from bad decision making in business operations of the case company. To achieve the aims, the objectives towards effective cost management strategy on how it affects business operations will be considered and these are exploring different cost management theories in making decision in business and focusing on role of cost management in strategic decision making.

Also, the thesis looks at research questions that are connected to the study's objective to understand how cost management can significantly impact strategic decision making in business operations. In view of this, the questions below will be considered:

What is cost management role in strategic decision making in budgeting and investment planning?
How is cost management apply in making strategic decisions?
The thesis is a qualitative research adopting a case study method to acquire an in-depth knowledge of the case company cost management system. Thematic method of interview will be adopted using open-ended questions to gather data for the research.

In general, there is always a chance that restrictions will appear during a study. Possible drawbacks include the possibility that the three employees of the case company will not provide the interviewer with enough transparent information and that the information given may not be as detailed as desired. Despite this, there is no doubt that the case company would provide sufficient details because it recently revamped the entire system and is eager to benefit from this research.

The thesis comprises of four chapters which will explore the impact of cost management in strategic decision making in business operations. The first chapter gives the introduction of the topic. Chapter two considers cost management and strategy decision making as the theoretical background. Furthermore, chapter three considers empirical section of the research while chapter four conclude the research.

2. Cost management and strategy decision making

There are three elements that cost management technique consist of and these are motivation, information, and reporting. The organization should ensure either of the selected element is consistent and each support the strategy as well as the missions of each sections in the organization (Hansen & Mowen, 2014, p. 55). Also, the purpose for which these elements are used differs. The motivational elements concern measuring performance, reward structure, and agreeing with the mission and competitive strategies of the organization. The informational elements encourage budgeting process and cost reduction plans as well as differentiate between value added and non-value-added activities. Reporting elements on the other hand assist in preparation of financial statements and detailing of the responsibilities of accounting system of the organization (Hansen & Mowen, 2014, p. 56).

2.1. Concept of strategy and cost management

Strategy is a compound concept that comprises various dissimilar procedures and activities within an organization (Edward et al., 2014, p. 4). Also, Strategy can be defined as the total plan or policy to achieve goals and developing a strategy requires answers to two questions of where do we want to go? and how do we want to get there? (Hilton et al., 2006, p. 7). Edward et al agreed with the view of Mintzberg that strategy is considered as a plan, a ploy, a position, a pattern, and as a perspective (Mintzberg, 1987, p. 11-16). Mintzberg termed these as five Ps of strategy which provide the overview definitions.

In the same vein, plan is a methodically designed series of actions that a business expects to take in order to succeed. The unique scheme or manoeuvre a company intends to mislead or outwit its rivals is known as ploy while perspective considers the organization in its external environment. On the other hand, pattern is the degree to which a firm's strategic actions are consistent while position is the position of a company in relation to its competitors in a given industry (Mintzberg, 1987, p. 11-16). Moreover, at the business level it is term generic strategy which is the way a business is position within an industry (Edward et al., 2014, p. 178). Edward et al agreed that generic strategy is connected to the assertion of Professor Michael Porter of Harvard University that says 'business-level strategy is of two dimensions which are firm's competitive advantage and firm's scope of operations' (Edward et al., 2014, p. 179). In view of these assertion, there evolve below four generic business-level strategies.

Cost Leadership is a business level strategy where a company offers goods and services at a reduced price; that are of good quality and features that are acceptable by sufficient number of customers to make profit (Edward et al., 2014, p. 183).Differentiation is business level strategy where a company try to persuade customers to pay a premium price in exchange for its goods and services as an assurance for offering an exceptional and required quality (Edward et al., 2014, p. 189). The third is focused cost leadership which is a business level strategy where a company offer low price on its goods and services in relation to the price of its competitors in the target market (Edward et al., 2014, p. 199). Lastly, focused differentiation is a business level strategy where a company offers goods and services with a specific unique quality that meet the expectation or requirement of a narrow market (Edward et al., 2014, p. 201).

In addition, as shown in figure 1, strategy in relation to management entails a process of proper understanding and adequate knowledge of the dynamic world and its effect on business operations (Edward et al., 2014, p. 31). The process commences with comprehending the vision, mission, and objectives of the company, that is the strategy and performance of the organization. Scanning of internal and external environment for trends that affect the economy and the industry in which the company operates. Thereafter, formulate a specific strategy that will stand as a guide to achieve success and after which implementation can be done to create a structure and corporate culture (Edward et al., 2014, p. 31- 34).

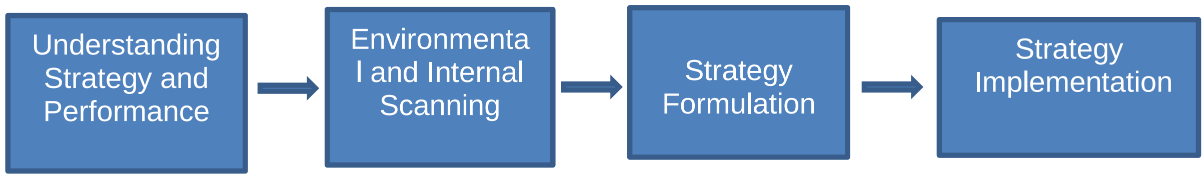

Figure 1. Process of strategic management model (Edward et al., 2014, p. 31).

Furthermore, relating strategy to cost management implies the application of cost information to assist organization in formulating and communicating strategies, employing tactics to implement them; simultaneously create and implement measures that ensure success of strategic objectives (Govindarajan & Shank, 1992, p. 14). Also, strategic cost management is the use of cost management techniques to enhance the strategic position and cost efficiency of an organization (Cooper & Slagmulder, 1998, p. 26).

Moreover, it must take into account the value, beliefs, and forecast of the workforce; variations in company processes and the process of operations must be supported by incentive and other non-monetary systems. It must also produce win-win scenarios and effectively convey the advantages to all parties (Kumar & Nagpal, 2011, p. 121). Strategic cost management is effective when a company develops and recognizes better strategies that will result in a lasting competitive advantage (Adigbole et al., 2022, p. 142). Creating superior customer value at the same or lower cost than competitors or producing similar value at a lower cost than competitors is known as having a competitive advantage (Kumar & Nagpal, 2011, p. 127).

For an organization with different small business units, profit center or cost center, operating single strategy will not only be insufficient but also improper, hence it is essential to have multiple strategies at different levels in the organization (Institute of Cost Accountants of India, 2014). According to the study text of ICAI for Business strategy and Strategic cost management, there are three levels of strategy in management as structured in practice and these are:

Corporate strategy: this is the top level that entails formulating corporate-level strategies for the entire organization. This level concentrates on maximizing long term profitability and business growth of the organization as well as investment in projects that will assist in attaining the long-term goals and objectives.

Business level strategy: A report outlining the goals of the whole company is known as a business strategy. Organizations frequently employ this strategy to source capital from significant investors as well as creditors. This strategy is intended to tell potential investors about a new company initiative to secure their support. It outlines the market opportunities that the company plans to pursue, the steps they will take to do so, and the resources needed to achieve the investments.

Functional level strategy: this entails operational decision-making regarding functional areas in organizations, such as production, marketing, personnel, finance, etc. Functional level strategies are frequently referred to as "tactical" decisions. However, these decisions must be in line with the framework of corporate strategy and must be driven by broad strategic considerations.

Moreover, Functional-level strategies concentrate on enhancing a company's operational effectiveness and its goal is to increase the value and efficiency of product development, marketing, customer service, manufacturing, and management of resources. With an emphasis on satisfying client expectations, they also want to enhance the degree of innovation within the company. Adequate knowledge of the three strategy levels will assist management of organizations to set a realistic objective, establish plans to achieve the objectives, and ensure long term sustainability of the company’s business (Institute of Cost Accountants of India, 2014, p. 18).

2.2. Strategic decision in cost management

An organization get to make decision on pricing and product planning (Anthony et al., 2012, p. 64). They went further to elucidate in the book that the former occurs when organization need to determine price for a market using product cost data while the later occurs when organization need to develop product that meet market requirement with motive of making profit. Also, in the event of selecting amidst of alternatives under uncertainty situation, management are responsible to make effective decision that is of benefit to that company and all the stakeholders (Paul & David, 2010, p. 382).

However, when making business decision between alternatives course of action, factors that are either quantitative or qualitative can affect decision making process (ACCA, 2009). Quantitative factors are numerical information that are relevant in decision making while qualitative factors are non- numerical information that are relevant in decision making process. According to an article in Harvard Business review, decision is considered to change in two dimensions which are control and performance (Rosenzweig, 2013). The former take into consideration the extent decision and the result can be influenced while the later considers the parameter success is being measured. When the two that is control and performance are join together, four fields are form which represent types of decision (Rosenzweig, 2013). The diagram in figure 2 represent the four types of decision.

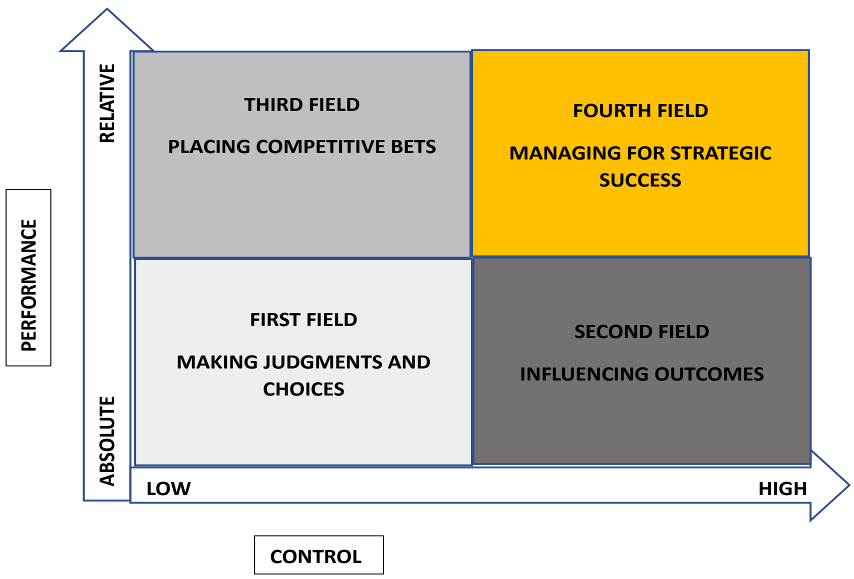

Figure 2. Four types of Decisions (Rosenzweig, 2013)

Considering the matrices above, it has four fields that represent types of decisions making. The first field characterise a situation where control is low, and performance is absolute. This is better illustrated when someone has control to decide which company stock to invest but unable to increase the stock price after purchase. The second field portray a situation where control over outcome of a decision is high, and performance is absolute. Completing a degree programme within two years is a controllable judgement within the student ability to improve performance (Rosenzweig, 2013).

Furthermore, the third field is when control is low, and performance is relative. That is a competitive situation where performance is based on others or rival. Game theory in economics describe a scenario that comprises prisoner’s dilemma and game rock-paper scissors, where champion is based on the interaction of all player’s decisions. The player cannot change the terms of the game likewise the gains and the costs. The excellent decisions involve foreseeing competitors' moves (Rosenzweig, 2013).

The fourth field which is the focus of this thesis, is when result can be influenced, and success is when performing well than competitors and this connotes strategic decision. Corporate leaders do not just make decisions that result in one consequence or another, like consumers choosing a product or investors buying a stock. Executives have the power to affect outcomes by their style of leadership, communication, and capacity to uplift and encourage. That is how "management" is defined. Also, they are in charge of businesses that engage in fierce competition, therefore outperforming competitors is essential. Strategy is crucial in this field (Rosenzweig, 2013).

2.3. Application of cost management

Business managers and accountants are saddle with the responsibility of making decisions and oversee their subordinates engaging in decision making process as well need sufficient understanding of the costing system of the company (Zimmerman, 2009, p. 4). Pricing and product planning decisions are made by organization when there are needs to use product cost data to establish price for a market and the needs to create a product that satisfies a market need with the intention of earning a profit. (Anthony et al., 2012, p. 64).

Furthermore, there are three elements that cost management technique consist of and these are motivation, information, and reporting. The organization should ensure either of the selected element is consistent and each support the strategies as well as the missions of each sections in the organization (Hansen & Mowen, 2014, p. 55). Also, the purpose for which these elements are used differs.

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Cost management in strategic operations of organizations in an article by Archna Mohan (n.d.), revealed that strategic cost management is applicable in five areas that aids rectification of insufficient product cost information, and determination of appropriate company policies. The article expounds on product costing, make or buy decisions, marketing channel decisions, product design, and activity analysis as the main application of cost management.

The significance of cost management is to acquire a better knowledge of costs incurred by a company and how those costs are administered (Hilton et al., 2006, p. 38). Cost as a resource an organization expends on products or services for economic benefit needs to be understood by whoever is providing cost information for management in making an informed decision. The definition of cost depends on the context it's been used as its concepts, classification and measures are done based on reasons that differ (Hilton et al., 2006, p. 38).

Moreover, the period in which costs are expended on assets or services acquisition is significant for both cost management and external financial reporting (Hilton et al., 2006, p. 38). The term expenses, product cost and period cost are pertinent to each business transactions, as expenses are costs incurred when an asset used to generate income while product cost and period cost represent the events that necessitate their conversion into expenses (Hilton et al., 2006, p. 38). Product cost also known as inventoriable costs are cost allocated to a product that is meant for resale either after acquisition or production while period costs are cost incurred in the passage of time such as research and development cost and selling and administration cost (Hilton et al., 2006, p. 38).

Cost management entails laid down official procedures meant for planning and controlling cost-generating of an organization that is related to its short-term goals and long-term plans (Costanzo, 1990, p. 45). It is expedient for a company to strive between making profit in the short run and sustaining its competitive position in the long-run of which effective cost management strategy could help to scale through these challenges (Costanzo, 1990, p. 45). Moreover, cost management as stated in the publication have six primary objectives which are: allocating of cost to a product or service using cost drivers, assessment of product or service life-cycle performance, enhancing knowledge of processes and activities, controlling of costs, measuring performance, and consenting the quest of organizational plans (Costanzo, 1990, p. 45).

Also, cost management draws on both cost accounting and management accounting and presupposes familiarity with both. But cost management is not the same as cost accounting; it is a far more thorough discipline of accounting than cost accounting (Kumar & Nagpal, 2011, p. 121). Cost accounting is the branch of accounting that tracks, evaluates, and provides data on how much things cost. Kumar and Nagpal contend that cost management is not the same as management (or managerial) accounting, particularly when it comes to breakeven analysis, economic order quantities (EOQ), and most importantly the determination of variances between actual costs and standard costs. Cost management concentrate on management using cost information for making decision amidst of alternative. Hence, cost management is not the same as management accounting or cost accounting, although they both complement the effectiveness of cost management.

Cost management information can be applied in a various ways and essential for effectiveness of management functions in business organizations (Edward et al., 2015, p. 4-6). The management functions are strategic management, planning and decision making, management and operational control, and preparation of financial statement. Among the management functions, strategic management is the most vital function as it concerns formulation and implementation of sustainable competitive advantage in which the success of organization hinge on (Edward et al., 2015, p. 4).

Moreover, the operation of budgeting, cashflow management, and profit planning are connected to the management function of planning and decision making. Operational control as to do with monitoring of activities of operational manager by mid-level manager while management control is the evaluation of mid-level manager by the upper-level manager. The preparation of financial statements which is the last function concentrate on compliance with the requirement of regulatory bodies for financial reporting (Edward et al., 2015, p. 5). Cost management information can be applied by management of organizations in taking strategic decision on budgeting and investment planning as these would be the focus of this thesis.

2.3.1. Budgeting

A budget is a comprehensive plan for possession and use of financial and other resources over a required period of time which could be yearly, monthly, or quarterly (Edward et al., 2015, p. 340). In other words, a budget is a financial and/or quantitative statement that is created and approved prior to the implementation of a specific policy over a specified period of time with the aim of achieving a specific goals and it might cover incomes, expenditure, and capital employment (Institute of Cost Accountants of India, 2014, p. 584 & CIMA study text, 2013, p. 357).

Furthermore, there are two basic ways in which budget could either be prepared and these are from the TOP DOWN (Imposed budget) or from BOTTOM UP also known as

Participatory budget (CIMA study text, 2015, p. 213). 'Budgeting process where budget allowances are set without permitting the ultimate budget holders to have opportunity to participate in the budgeting process' is called Imposed/Top-Down Budget (CIMA Official Terminology) while a 'Budgeting process where all budget holders have the opportunity to participate in the setting of their own budgets' is called participatory budget (CIMA Official Terminology).

There are circumstances in which either of budgeting style can or cannot be applied effectively. For imposed budget, it can be effective when a company is newly established, very small, economic downturn, operational manager lacks budgeting skills, and when each unit in the company requires precise co-ordination (CIMA study text, 2015, p. 214). On the other hand, participatory budgeting cannot be effectively applied in circumstances where the company is centralised, the company is well established, the operations of the company is large, and in the period of economic affluence (CIMA study text, 2015, p. 214).

In addition, budgeting as the process of preparing one or more budgets has different approaches which are: Flexible and fixed budget, Incremental budgeting, Zero based budget, Continuous budgeting, and Performance budgeting (Institute of Chartered Accountants of Pakistan, 2015, p. 233-236). According to the Institute of Chartered Accountants of Pakistan (2015), the different approaches to budgeting were elucidated on as follows:

Flexible budget: As the name implies, flexible budget is variable and adaptable based on the varying nature of the outcomes anticipated in the future. Such budget is especially helpful for companies that operate in a constantly changing business environment and need to create budgets that can consider all of the potential outcomes. The adoption of a flexible budget guarantees that a company is somewhat prepared to handle the unexpected turn of events and is better equipped to protect itself from losses resulting from such situations.

Fixed budget: Fixed budget is employed when expected revenue and expenses can be predicted with a high level of assurance and are historically highly predictable. Organizations that do not anticipate substantial variation in the business or economic climate frequently utilize these types of budgets. Fixed budgets are less complicated and easier to prepare as well as it is simpler to keep track of things due to lack of fluctuation.

Incremental budgeting: This is a budget approach where the previous budget period is used as a starting point, and any incremental amounts are then added (or subtracted) for the upcoming budget period. The cost of extra operations that will be carried out next year as well as any other modifications, such as changes in tax rates, will be added in incremental amounts. For some expenses, incremental budgeting may be suitable. In a steady environment, for instance, it might be adequate to budget salary costs by adding the current year's wages to wage inflation.

Zero based budgeting: a straightforward concept of creating a budget each time from scratch, or as though there is no expectation that current activities will continue from one period to the next. In service-related businesses, where costs are more likely to be discretionary, zero-based budgeting is typically seen. In municipal governance, zero-based budgeting is used in some form. There are four fundamental steps to take which are:

Creating decision-making packages that concentrate on identifying all potential services (and levels of service) and then assign a price to each one; these are collectively referred to as decision packages. The next is sorting of decision packages according to importance, starting with what a department must have. This makes the management carefully assess their goals for the upcoming year. After which financing, that determine the amount of money that will be given to the department. Having gone through all stages, funds are utilized in the sequence listed.

Continuous Budgeting (Also known as Rolling Budget): In a periodic budgeting approach, the budget is typically produced for one year, after which the budget for the following year is created completely separately. The budget from one period is "rolled on" to the following year under continuous budgeting. The budget is typically produced for one year, with only the first quarter being detailed and the rest being outlined. Following the first quarter, the budgets for the subsequent three quarters are adjusted depending on the actual performance, and a fourth quarter is planned. This indicates that the budget will once again be initiated with a 12-month planning scope.

Performance budgeting: This is a system of planning, budgeting, and assessment that places an emphasis on the connection between the financial resources allocated and the anticipated results. As departments are held responsible for meeting predetermined performance requirements, performance budgeting puts an emphasis on results. Performance budgeting concentrates more on longer period of time by emphasizing the connection between strategic planning and resource allocation. Each line item in these budgets is related to a particular responsibility centre and is strongly correlated with the achievement of that criterion.

Besides, any of the budgeting approach can be used to prepare master budget that shows the aggregate of all subunit's budgets into an integrated plan of action for desired period of time by the organization (Edward et al., 2015, p. 342). Master budgets consist of both operational and financial budgets. Operating budgets list the resources that are needed for budgeted tasks including sales and customer support, production, buying, marketing, and R&D, as well as the procurement of those resources. The set of operating budget of a company result to budgeted income statement (Edward et al., 2015, p. 342).

On the other hand, financial budgets specify the sources and purposes of funding for anticipated capital investments as well as for the level of operations that will be budgeted for the future year. The budgeted balance sheet, budgeted statement of cash flows, and scheduled budget for capital expenditures (including strategic expenditures) are all encompassed in financial budget (Edward et al., 2015, p. 343).

2.3.2. Investment planning

Cost management is essential to investment planning as it concerns investment in a capital projects that requires huge expenditure of funds by organizations in expectation for future benefits (Edward et al., 2015, p. 439). Also, investment planning deals with capital investment decisions which should connect to the underlying strategy of an organization as either a cost leadership or a product differentiation (Edward et al., 2015, p. 439). The word investment is the allocation of resources which could be financial, material, and human for either medium or long period of time with the expectation to recoup the invested funds (Virlics, 2013, p. 170).

Moreover, application of cost management ensures thorough analysis of investment project due to the uncertainty of the outcome and unavoidable effect of economic and financial environment (Virlics, 2013, p. 170). Risk is a basic factors that affect investment decisions, and it occurs to make recouping of funds invested uncertain and investment decision without risk analysis is inappropriate (Virlics, 2013, p. 171). Also, capital budgeting is the act of identifying, evaluating, selecting, controlling of capital investment and these represent the process in making investment decisions (Edward et al., 2015, p. 442).

The fact that capital expenditure frequently entails incurring huge sum of money and the anticipated benefits may span over years to accrue, investment decision is subject to thorough process of appraisal and control and this process has a distinct number of phases which are creation phase, decision phase, and implementation phase (CIMA study text, 2015, p. 302).

Creation phase comprises of identification of objectives, hunting for investment opportunities, and scanning of business environment. At this phase, a company need to have a process that scan for possible prospects and as well send signal for future problems in the environment (CIMA study text, 2015, p. 302).

Decision phase comprises of itemising of likely options and conducting of financial analysis to make decision on the project. The organization will carry out financial analysis using the investment appraisal techniques it prefers. Couple with the financial analysis, it is vital for the qualitative factors or issues of any investment to be considered (CIMA study text, 2015, p. 302-303).

Implementation phase comprises of capital investment proposal approval and evaluating of capital investment decisions by way of post-completion audit (CIMA study text, 2015, p. 302-303). The post-completion audit is in-depth assessment of accomplished capital investment project with the aim of contrasting its incurred costs with its benefits that could either be financial or non-financial (Edward et al., 2015, p. 441).

During these phases, capital investment proposal is being appraised using either discounted cash flow models or non-discounted cash flow models. DCF models incorporate the present value of future cash flow in capital budgeting decision while non-DCF are models that do not consider present value of future cash flow (Edward et al., 2015, p. 449). The models that are categorised under DCF are net present value (NPV), internal rate of return (IRR), and the profitability index (PI) while the models that is categorised under non-DCF are accounting rate of return (ARR) and payback period (PBP).

2.4. Roles of cost management in strategic decision

Cost management plays a critical role in strategic decision- making for organizations as it assists in cost evaluation, identification of cost-savings opportunities and optimal allocation of resources to support strategic objectives. Besides, cost management entails the techniques and processes used by managers to plan, control, and reduce costs (Horngren et al., 2006, p. 2). Furthermore, Information for cost-benefit analyses is one of cost management's primary functions in strategic decision-making. A tool for assessing the anticipated costs and benefits of a choice or investment is cost-benefit analysis. Organizations can assess the viability and profitability of strategic projects like developing new products, expanding into new markets, or investing in new technologies by weighing costs and benefits (Drury, 2013, p. 6).

In the same vein, creation of pricing strategies is another role of cost management in strategic decision-making. Organizations can decide on the best pricing methods to increase profitability by studying costs and cost structures. For instance, it assists businesses in determining the prices at which their goods or services will be the most lucrative (Garrison et al., 2014). Organizations can more efficiently devote resources to achieve strategic goals by identifying costs and cost drivers. This entails discovering potential cost-saving opportunities, reallocating resources to high-priority areas, and enhancing operational effectiveness (Hilton & Platt, 2013, p. 864).

Therefore, for businesses to uphold their competitive position in the market, the developed cost management techniques should be in accordance with environmental changes for it to enhances strategic decisions in attaining its objectives (Layth et al., 2018, p. 2328). Cost management also assists management decisions by identifying the company's strengths and limitations and better ways to utilize, enhance, or eliminate weaknesses (Layth et al., 2018, p. 2328).

The choice of strategic positioning of organizations is the strategic role cost management plays in companies choosing either to compete by having lower costs (cost leadership) or by offering quality goods and services (product differentiation) (Shank, 1989, p. 54). Also, effective management of costs requires wide focus that is external to the organization. Cost management aids strategic decision of value creating activities of companies from inception of production to delivering to end users (Shank, 1989, p. 50).

Besides, cost management in its strategic perspective enhances the application of cost information to facilitate the development and implementation of business strategies that comprises of four stages which are formulation of strategies, communication of those strategies across the organization, developing and employing ways to implement the strategies, and implementation of control measure to ensure success of those strategies (Govindarajan & Shank, 1992, p. 14).

2.5. Characteristics of cost management

The significance of cost management to organizations is vital, the reason being that it encompasses not only measuring and reporting of incurred cost but also concentrate on the future effects of recent or projected decision (Hilton et al., 2006, p. 5). The characteristics of cost management is considered in three perspectives which are:

Philosophy: Cost management is a philosophy that encourages the system that assist companies in making effective decision to create more customer value at a reduces cost. A company is efficient when it uses the available limited resources to offer goods and services while persistently improving value and costs.

Attitude: Cost management characterise a proactive attitude of management decision which result to all costs of goods and services. Cost management aid management decisions to improve efficiency and also in creating and improving products.

Techniques: Cost management is collection of trustworthy techniques that employ several performance metrics to evaluate the effects of decisions. Any of these methods can be employed to aid in the organization's general administration. In other word, a cost management system is a collection of cost management strategies that work in unison to support an organization's objectives and operations (Hilton et al., 2006, p. 5).

3. Empirical part of the research

The empirical part of this research concentrates on data collected by interview from three employees of Industrial Development Communications Limited, the case company. The section comprises of case research method, theoretical framework, interview method, collection and handling of data, limitations, brief information about the case company, implementation of case research on interview method, result, and reliability and validity of the results. Moreover, the case company was chosen among many companies in Nigeria because a former colleague of mine is working in the company, and this had eased the communication and collection of data from the interviewees.

3.1. Case research method

The intent of a case-study research, is to acquire a deeper understanding of a particular phenomenon in actual circumstances (Blichfeldt & Andersen, 2006, p. 3). As a result, the case study research utilizes already known knowledge to actual situations rather than gaining entirely new expertise (Blichfeldt & Andersen, 2006, p. 3). This research is a qualitative research and adopt a single case research method. This research method enables the evaluation of the impact of cost management in strategic decision making in the case company operations.

Moreover, among the sources of obtaining evidence in case sudy research method, interview, and review of archive such as journals, articles, literatures of scholrar and professional bodies will be adopted. The open- ended interview conducted with the Head of finance, Finance manager, and Assistant finance manager of the case company serve as the primary source of data collection of this research.

The reliability and validity are vital in any research work, for a case study research method which involves researching and collating of data from a small sample rather than from a large number. The relaibility is ensure when standardized interview protocol and coding scheme is used to collect similar infromation from each case and the data is consistently analysed. Validity on the other hand can be ensure when data are collected from multipe sources that is triangulation and detail description of the studied case for clearer understanding.

3.2. Interview method

The thesis is a qualitative research method and thematic interview method was adopted to explore the three interviewee's (Head of finance, Finance manager, and Assistant manager) opinions of the case company about the topic of the research as related to the case company. This type of interview method was adopted to allow open-ended questions and follow-up questions from the interviewee based on the responses of the each interviewee.

Furthermore, an in-depth and sufficient data was gathered about the topic of the research during the interview as the interviewees were able to speak without restrictions about the topics as applicable to the case company. The themes of the interview were used to gain in-depth comprehension of the research topic being explored. Internet call technology was adopted in conducting the interview with the three interviewees because of inability to be physically present at the case company premises.

Also, thematic interview method is reliable when it is systematically and thoroughly conducted coupled with consistency and clarity in selecting interviewees and data analysis. The validity of a thematic interview is ensured when it is designed to obtain the views and experiences of the interviewees in a comprehensive and impartial approach. Thematic interview method is reliable and valid approach for data collection and analysis if cognisance of factors that can affect the reliability and validity is being avoided.

3.3. Collection and handling of data

The data was collated using interview. The interviewees are employees of the case company (Industrial Development Communications Limited) that are management staff in finance department. The finance department and the three employees were selected to be interviewed among departments in the company because of the vital role the department and the employees play in cost management system of the case company.

The three employees that was interviewed through video call were the Head of finance, Finance manager, and Assistant finance manager. The three senior employee were selected not only to ensure credibility of the data collected but also to ensure the validity of the data. The responses of the interviewees were put together for comparison of different aspect of the data and after which conclusions were derived from the results.

3.4. Case company

The case company is Industrial Development Communications Limited (IDCL), an integrated marketing communications outfit with special interest in events, activation, and multimedia production. The company was incorporated on July 6, 1996, and below is the description of IDCL services (IDCL annual report, 2022).

Brand Activations that entail strategy development and deployment; includes the following but not limited to In-bar, Trade & Consumer Contact & Loyalty Scheme, Market/Neighborhood storms & Road Shows, Market Survey (Trade & Consumer), POS Merchandising and Sampling Activation. Also, the company renders events Management that has to do with conceptualizing, planning, and executing but not limited to Annual General Meetings (AGMs), Conferences, Exhibitions, Concerts, and Product launches.

Furthermore, the company offers audio-visual productions of the following but not limited to Documentaries, Docudramas, Reality TV Show, TV Talk Shows, Vox Pops, Radio Dramas, Radio Jingles, and Announcer.Specifically, the services of the company are grouped under event management, audio-visual production, direct marketing, and media consultancy. The clients which IDCL serves are MTN Nigeria, GSK, Nestle, and Guinness Nigeria (IDCL website, n.d.).

3.5. Implementations of the research

The research is a qualitative research method which adopt a single case study to have an in-depth understanding of the research topic using Industrial Development Communications Limited as a case study. Review of literatures of scholars, journals, professional bodies study materials were caried out as a secondary source of data and interview as a primary source of data collection. The interview was an open- ended interview as this gave the interviewees the liberty to freely give their views as regard the research topic as it relates to the case company. Before the interview, three employees at the managerial level of the case company were selected from finance department; this is to ensure credibility of the data that will be collected.

The researcher adopted thematic interview method to permit open-ended question and follow up questions built on the interviewee’s responses. Having conducted the interview, the collated data will be analysed based on the theoretical proposition.

3.6. Results and analysis of result

In this section, the information gathered from the interview of the three Industrial Development Communications Limited was displayed and examined. The information from the interview will be broken down to find each of its individual components. The current arrangement of the data should make it possible for it to provide an acceptable response to the research questions. Data analysis which separates qualitative data is being given different meanings to ensure ideal investigations. Thematic analysis is the method used in this research to examine the qualitative information obtained from the open-ended interviews. Also, thematic analysis approach can be used to precisely define and pinpoint the examination of data reporting patterns, or themes (Braun & Clarke, 2006, p. 79).

Furthermore, the information gathered is then categorized or organized into pertinent "codes" (Braun & Clarke, 2006, p. 83). During the interview, different codes may be assigned to each interview section, and it is possible to summarily describe what is said during an interview using codes. Having assigned first codes to the satisfactory data that have been sourced differently, codes can be altered and incorporated into pertinent themes. The information ought to have been combined, assessed, and fairly divided by this point. Each topic's name should make it apparent how it relates to the research questions.

In view of this, the selected theme names are short and specifically reveal the type of data it covers. Introduction of each theme and explanation of significance each theme is given. Most importantly, finding the theme's core must be connected to the main research problem. The primary results of the data analysis have now been presented by the author using the theme analysis method. Since the interview data contains all the pertinent details necessary to respond to the research question, five potential themes for its analysis were identified. Since each of these five subjects makes a substantial contribution to resolving the research question, the chosen themes of this thesis are distinct and adhere to a distinct, non-overlapping pattern. The themes that will be considered are cost management and strategic decision, role of cost management, cost management application, budgeting, and investment planning.

In view of the above themes, the author obtained valuable information that assisted in recognizing how cost management affects the way strategic decisions are made as well as its role within an organization.

3.6.1. Cost management and strategic decision

The significance of this theme is to first discover the interviewees' understanding of cost management. Thereafter to make an inquiry about the influence of cost management on strategic decision making and the strategic level in decision making. Adequate knowledge of cost as a significance of cost management is crucial to whoever is handing cost information for strategic decision making in an organization (Hilton et al., 2006, p. 38). The interviewees portray their understanding of what cost management is as each of their definitions includes one or two functions of cost management which is enhancing planning and controlling as affirmed by Costanzo (1990).

Moreso, the significance of cost management in making strategic decisions of a company to achieve it sustainable competitive advantage (Edward et al., 2015, p. 13 & Adigbole et al., 2022, p. 7). Funsho Akande in his response, affirmed that cost management has influence on organization achieving its competitive advantage through total understanding of cost structure as form of influence of on strategic decision making (Appendix 2). For instance, companies can identify areas for improvement and put in place cost-cutting initiatives by examining costs at multiple levels and across numerous processes. This can result to process simplification, waste elimination, improved supplier contract negotiations, or the use of technological solutions that automate work and lower labor costs. From all the responses of the interviewees, it affirms that cost management influence strategic decision making in an organization and the three levels of strategy in an organization are corporate, business, and functional were affirmed during the interview in all the responses of the interviewees in (Appendix 2).

It was discovered that cost management has an influence on strategic decision making on budgeting, resource allocation, pricing, investment appraisal of a company as it has on the case company strategic decision making. Also, the influence of cost management on strategic decision of a company to its competitive advantage as either price taker or price maker was affirmed during the interview. The three level of strategy was discovered to be a form of segregation of responsibility within an organization and a tripod on which operation of an organization stand. Moreso, it was revealed that strategic decisions are taking at the three level of decision (Strategic, Tactical, and Operation) and cost management aids in locating inefficient areas of business operations and cost-drivers.

3.6.2. Role of cost management

Cost management role is crucial to how firms make strategic decisions and It supports strategic objectives by assisting firms operations in cost evaluation, investment decision,cost-saving opportunity identification, and resource allocation optimization as mentioned during the interview by Funsho and Olabode (Appendix 2). Information for cost-benefit analyses of a capital project is one of cost management's role in strategic decision-making (Drury, 2013, p. 6).

Furthermore, provision of tools for assessing the anticipated costs and benefits of a choice or investment which aid planning and controlling of cost as responded by Mercy (Appendix 2). Cost management plays a vital role in an organization operations (Horngren et al., 2006, p. 2). According to the responses of the interviewees, the role of cost management in business operations are numerous and crucial to all cost centers in an organization in which cost are traceable (Appendix 2). This implied that financial discipline and accountability in organization is aided by effective cost management system and when integrated with startegic decisions, it inspires managers and employees to support effective cost and resources allocation. The operations of the case company need effective cost management as affirmed by the interviewees.

Various operations of organization such as budgeting, investment planning, pricing, performance evaluation, and resource allocation need effective cost management. The role cost management techniques plays in this various operations assist managers of organization in making informed decisions.

3.6.3. Cost management application

The three interviewees agreed that application of cost management in budgeting and investment planning, which is the focus of this thesis, is essential (Appendix 2). Budgeting represents a guide for company spending and investment on capital projects may not be applicable to an organization that is risk averse. However, effectiveness of management in making informed strategic decisions on budgeting and investment planning depends on adequate application of cost management technique (Edward et al., 2015, p. 343).

Despite various benefits of cost management application, difficulties in putting it into practice need to be considered. Adaptation can be difficult and require careful planning and coordination to integrate the cost management program with other financial systems, such as enterprise resource planning (ERP) or accounting software. The application of new cost management techniques requires management initiatives, training programs, and continuous assistance to encourage employees to use the new technique and follow expense tracking procedures.

It was affirmed that application of cost management techniques is crucial in making strategic decisions by managers of an organization. Also, the usefulness of the application depends on precise and trustworthy data. For useful insights and accurate financial reporting, it is essential to ensure data correctness, handle potential anomalies, and maintain data quality standards.

3.6.4. Budgeting

The response of the interviewees affirmed the influence of cost management on budget preparation which also impliedly support cost management application by adopting various budgeting technique such as flexible budgeting, fixed budgeting, incremental budgeting, and zero-based budgeting (Appendix 2). The process of budgeting as cost management techniques needs to uphold motivation as one of the elements of cost management technique (Hansen & Mowen, 2014, p. 55). Also, one of the interviewees directly mention motivation as motive of the budgeting process of the case company and other two interviewees impliedly agreed to Funsho' s assertion (Appendix 2).

In view of the above, adoption of collaborative process in budgeting that involve budget stakeholders in the entire organization encourages the correctness and possession of the budget; as well guarantee reflection of the anticipation of all functional sections of the organization. It is crucial to regularly evaluate and assess how the budget is functioning. This enables prompt corrective actions and early issues identification. Maintaining flexibility will allow organizations to change the budget as necessary. There are different budgeting techniques of which an organization is at liberty to choose whichever one suits its operation as the case company opted for zero based budgeting (Appendix 2). There are stages involved in budget preparation of which the peculiarity of each stage varies from one organization to another.

3.6.5. Investment planning

Investment planning is a subset of cost management and warrants diligent and careful execution as asserted by Olabode (Appendix 2). This implies that what it takes for an organization to carry out its investment decision is embedded in cost management. Funsho also in his response said and I quote “Investment planning deals with allocation of resources to a project that is viable or setting of specific financial planning and employing a strategy to actualize them” (Appendix 2). This also implies that cost management has techniques to determine viable investment or capital project.

Moreover, the crucial phase in investment planning is the evaluation of the capital project applying investment models as submitted by the interviewees (Edward et al., 2015, p. 449 & Appendix 2). The interviewees mentioned this model in their responses, and these are NPV, IRR, ARR, and PBB; each of these falls under DCF or non-DCF (Appendix 2). Organization is at liberty to choose any of the techniques. However, the most widely used among them is NPV because it discounts the value of the cashflows. It is vital to consider other qualitative factors surrounding investment project despite the acceptability of the techniques as this could be denoted from the response of the three interviewees as regard the viability of the investment decision made by the case company in the past.

Investment planning entails commitment of huge funds into capital project which could sunk if not carefully analyse at the decision stage. There are various investment techniques out of which an organization can select any for investment appraisal. Qualitative factors must be considered to complement decision making on acceptability of a capital project during investment planning.

3.7. Reliability and validity of results

The consistency and stability of the results generated from a research approach are referred to as reliability. Case study research method reliability can be evaluated using the dependability and replication of the results. Even though, this research work is not correlated with the statistical measures of reliability in quantitative research, however, the reliability of this research can be evaluated under the following viewpoints:

The process with which data were collected using thematic interview method during the research was to ensure consistency and accuracy of the results. Also, the interview of three employees of the case company to gain in-depth understanding of the research topic from different views is to enhance the reliability of the results.

This research makes use of different sources for collection of data such as interviews (primary source) and review of literatures by scholars and professional bodies study text (secondary source) to cross-authenticate the results. The researcher employs these multiple sources to increase the reliability of study’s conclusions.

Also, the validity of the results of this research precisely explores the research objectives. To uphold the construct validity, the case company was selected among many small companies in Nigeria because the industry it falls and activities of the company align with the research questions and objectives. Also, the company operations are another reason for being selected as it unveils the inevitability of cost management in making strategic decisions.

The Internal and external validity of the research was through multiple sources of data collection, logical reasoning and careful analysis of the data support the validity of this research work. However, the research offers insightful information and advance theoretical knowledge. The researcher does not intend to generalize the results of the research; however, similar results can be arrived at in conducting similar research situations.

4. Conclusions

This thesis examined the impact of cost management in strategic decision making as related to the case company. Budgeting and investment planning were elucidated in detail to justify the role and application of cost management in strategic decision making which are the focus of this thesis. Cost management was considered together with three levels of strategy obtainable in practice in organization decision on its competitive advantage. Moreover, an open-ended interview was conducted with three employees of the case company to establish the applicability and role of different cost management techniques in budgeting and investment planning.

The interview questions which focused on five themes helped to achieve the objectives of the research. The data gotten through video call was transcribed for further analysis adopting thematic analysis. Analysis of responses of interviewees revealed that cost management is entwined in strategic decision making in business operations and both cannot be split from each other as they are closely related. Cost management entails financial and nonfinancial information that supports managers of an organization in carrying out its management functions to achieve the company’s objectives. Therefore, it is impossible to relegate the role of cost management in strategic decision making in business organization.

Moreover, businesses can also react to shifting market conditions and strengthen their competitive position with the help of good cost management. Organizations may be flexible and responsive to market changes by regularly analyzing and adjusting costs. This enables them to modify pricing policies, investigate new revenue sources, spend money on innovation, and take advantage of new opportunities. As a result, cost management is now a crucial aspect of long-term sustainability and strategic agility.

In addition, cost management is crucial in strategic decisions while assessing the profitability and feasibility of a business. Businesses can make decisions that fit their financial capacities by carefully weighing the expenses associated with various options. This guarantees that the initiatives are realistic and feasible considering the financial limits of the company. Also, long-term financial commitments and investment decisions are of strategic importance to an organization since they directly impact their financial outcomes for many years in the future. Capital projects must be evaluated and appraised by organization before investing funds. Nevertheless, qualitative factors should be considered and analyzed before making a strategic decision for acceptance.

Lastly, all stated objectives were achieved, and analytical answers were given to the research questions. This research considered only two aspects of strategic decisions on which cost management impact. However, further research may either expound more on the selected aspects or consider other aspects of strategic decisions and applicable cost management techniques.

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Interviews

Funsho Akande FCA, (April 21, 2023). – Head of Finance, Industrial Development Communications Limited

Olabode Idowu ACA, (May 5, 2023)- Finance Manager, Industrial Development Communications Limited

Mercy Usanga, (May 13, 2023). Assistant Finance Manager, Industrial Development Communications Limited

INTERVIEW QUESTIONS

1. What do you understand by cost management?
2. How does cost management influence strategic decision making?
3. What are the strategic decision levels in business?
4. What role does cost management play in business operation?
5. What part of your company operations do not need cost management?
6. What area of strategic decision is cost management applied to?
7. What are the strategies that can be used to prepare the budget, and which one does your company use?
8. How does cost management influence the budgeting process?
9. How can you relate cost management with investment planning?
10. What investment decision has your company taken lately or in the past and how viable is the investment now?

Head of Finance: Funsho Akande FCA

1. What do you understand by cost management?

Cost management as the name implies is the process of utilizing cost information for planning and control purposes.

2. How does cost management influence strategic decision making?

Cost management is vital in an organization when it comes to strategic decisions in the sense that it enhances comprehension of the overall cost structure of the organization to achieve its competitive advantage in the market where it operates. Also, cost management influences the strategic decision as regard price determination of a product or services that is to either be a price taker or price maker. There are various areas of strategic decisions which cost management impact such allocation of resources, cost reduction, investment and so on. For instance, cost management has influenced the pricing strategy of the company by choosing to offer its clients quality services at a reasonable fee.

3. What are the strategic decision levels in business?

Any organization uses three levels to make strategic decisions. The level at which they work in a firm is what distinguishes the three tiers of strategy in an organization. The first strategy level takes care of the corporate goals and objectives, and the second level takes care of the business strategy of the of the company while the last level takes care of the operational strategy of the company. For instance, all head of department of this company belong to the first level and Client service belong to the second level while managers belong to the third levels.

4. What role does cost management play in business operation?

The role that cost management plays in business are numerous such as cost analysis, pricing strategy, investment decision, cost reduction strategy, performance management and so on. All these roles that cost management plays are eminent in our operations.

5. What part of your company operations do not need cost management?

The fact that all our operations in our company are cost center and their activities have cost implications, the cost management strategy is crucial to all our operation.

6. What area of strategic decision is cost management applied to?

From the perspective of our company, strategic decisions in which cost management can be applied are pricing, investment decision, resource allocation, budget planning, and performance evaluation.

7. How does cost management influence the preparation of budget, and which one does your company use?

The word budgeting comprises estimation of cost and creating of agreed budget with the motive to control costs incurred against the budget. Therefore, cost management provides budget preparation strategies such incremental budgeting, zero base budgeting and so on to implement approaches to manage income and expenditure. The budget preparation strategy that our company adopt is zero base budgeting.

8. How is the budgeting process of your company?

The budgeting process of the company gives all the staff the privilege to be part of the budget at the preparation stage to motivate each member of staff to strive to actualize the approved budget, which is the last phase of the budget of the company. However, the bulk of the responsibilities rest on the budget committee in ensuring the implementation of the budget.

9. How can you relate cost management with investment planning?

Investment planning which deals with allocation of resources to a project that is viable or setting of specific financial planning and employing a strategy to actualize them. Also, investment planning entails matching the available resources with the financial objectives. The application of investment appraisal techniques such NPV, IRR, ARR and PBP which are cost management strategy applications for investment decision making. Hence, there is a direct relationship between cost management and investment planning.

10. What investment decision has your company taken lately or in the past and how viable is the investment now?

The company at each time there is media production for a client found itself making decision every day, though not related to investment decision. The strategic investment decision the company had taken in the past was the purchase of the present property we are occupying presently which is viable till now. Another one that was viable at the time the strategic decision was taken was the procurement of media production equipment that cost the company millions of naira.

Finance Manager: Olabode Idowu ACA

1. What do you understand by cost management?

Cost management is the collection of cost information for further analysis and reporting same for effective monitoring, controlling of cost and budget preparation.

2. How does cost management influence strategic decision making?

Regarding the industry this company belongs to, cost management influence on strategic decisions as regard budgeting, investment, and pricing cannot be relegated to the background. A strategic decision calls for proper diagnosis and analysis of available choices which have cost implications that need to be managed properly. The strategic decision making that I mentioned earlier depends on cost management techniques.

3. What are the strategic decision levels in business?

The strategic decision level is related to the organization's objectives which are three and these are corporate objectives, business objectives, and operational objectives. The corporate objective deals with what the company decide to achieve in the industry it operates, and the business objectives concern how the company is going to compete to be where it has decided to in the industry while operational objective concentrate on what the company will have to do achieving its mission. These three objectives replicate the level of strategic decision in business.

4. What role does cost management play in business operation?

From the perspective of Industrial Development Communications Limited, cost management plays a crucial role in budget planning, investment planning, and pricing.

5. What part of your company operations do not need cost management?

This company has different cost centers in which cost can be directly traceable and operations of these cost centers form the whole operation of this company. Hence, all the operation of these cost centers needs proper cost management.

6. What area of strategic decision is cost management applied to?

Strategic decision forms the bulk of management responsibility in a company and in achieving these responsibilities the application of cost management is crucial in investment decision, budget planning, and pricing.

7. How does cost management influence the preparation of budget, and which one does your company use?

Budget involves estimation of income and expenditure for a specific period related to the future financial year. The fact that budget deals with compilation of what it will cost and what a company intends to earn in the future make it vulnerable to the influence of cost management techniques such incremental budgeting, activity-base budgeting, and zero-based budgeting. Cost management also influences the budget in determination of variances for monitoring and control purposes. The budgeting technique this company employs in its cost planning is zero-based budgeting.

8. How is the budgeting process of your company?

The company in its budgeting process involves all the staff at the initial stage of deciding what to spend for the coming financial year. This is to encourage every member of staff to make the approved budget by the budget committee achievable after it has gone through other stages.

9. How can you relate cost management with investment planning?

Investment planning needs to be diligently and carefully carried out when there is a situation to decide on investing in a project and the uncertainty surrounding the outcome of any investment necessitates effective planning. Investment planning is one of the other strategic decisions in which cost management techniques can be applied. I would say investment planning is a subset of cost management. Therefore, cost management techniques such as NPV, ARR and others are used for appraising investment projects for planning and controlling purposes.

10. What investment decision has your company taken lately or in the past and how viable is the investment now?

From the financial statement observation when I joined the company, an investment decision to opt out of lease and buy the building the company is using for operation at the moment is a viable investment decision. The other one is the decision to stop renting media equipment and purchase for its media production. Presently, the company is still renting the new advance media equipment.

Assistant Finance Manager: Mercy Usanga

1. What do you understand by cost management?

The process of estimating, assigning, and controlling project/business expenditures is known as cost management.

2. How does cost management influence strategic decision making?

Cost management influence strategic decisions by establishing the foundation for corporate expenses and controls the steps taken to monitor the budget and prevent budget deficit.

3. What are the strategic decision levels in business?

The strategic decision level in business is of three levels and these levels form tripod in which an organization operates. The three levels of strategic decision are corporate, business, and operations.

4. What role does cost management play in business operation?

The role that cost management plays in business operations are coined in its definition. That is, it aids the process of planning and controlling costs that are related to managing a business.

5. What part of your company operations do not need cost management?

There are absolutely no parts or departments in this company that does need cost management in their various operations. Cost management is an integra part of business operation. So, it cannot be isolated from business operations.

6. What area of strategic decision is cost management applied to?

In my own opinion, most management decisions in a firm are strategic, and the application of cost management principles to pricing, budgeting, and investment decisions is essential to fulfilling these obligations.

7. How does cost management influence the preparation of budget, and which one does your company use?

Budgets are susceptible to the influence of cost management approaches like incremental budgeting, flexible budgeting, fixed budgeting, and zero-based budgeting since it estimates revenue and expenses for a given time frame connected to the upcoming fiscal year. Zero-based budgeting is the budgeting method this organization uses for their expense planning.

8. How is the budgeting process of your company?

Firstly, the budgeting style that this company adopts is participatory budgeting, which gives all staff and even a cleaner the chance to submit his or her input to the budget. The budgeting process for budget preparation in this company is preparation phase, authorization phase, and execution phase.

9. How can you relate cost management with investment planning?

The way I can relate cost management with investment planning is by employing cost management investment appraisal techniques to evaluate capital project before committing funds to it.

10. What investment decision has your company lately or in the past and how viable is the investment now?

The viable investment decision that is known to me is the taking up of the ownership of the office building and the other one is the investment in production equipment which underutilise because of technology advancement.