

STRATEGIC COST MANAGEMENT FOR BUSINESS SUSTAINABILITY

Omar Khalid, Amman Modern University, Jordan

ABSTRACT

Strategic cost management (SCM) is a critical tool for organizations seeking to optimize costs while maintaining long-term sustainability and competitive advantage. SCM integrates cost control with strategic business objectives, ensuring efficient resource utilization and value creation. Techniques such as activity-based costing, value chain analysis, target costing, and lifecycle costing enable firms to align costs with strategy and market demands. Furthermore, incorporating environmental and social considerations into cost management supports sustainable business practices. This article explores the role of SCM in enhancing operational efficiency, financial performance, and sustainability outcomes, highlighting its importance for long-term organizational success.

Keywords: Strategic Cost Management, Business Sustainability, Cost Control, Value Chain Analysis, Activity-Based Costing, Target Costing, Competitive Advantage.

INTRODUCTION

In today's competitive business environment, organizations face increasing pressure to manage costs effectively while maintaining quality and sustainability. Strategic cost management goes beyond traditional cost control by linking cost structures directly to organizational strategy and long-term objectives (Shank & Govindarajan, 1993). By implementing SCM techniques, companies can identify inefficiencies, optimize resources, and create value across the organization (Drury, 2013; Anderson & Dekker, 2009). Methods such as activity-based costing, value chain analysis, target costing, and lifecycle costing provide actionable insights for managing costs in a way that enhances both profitability and sustainability (Kaplan & Cooper, 1998; Porter, 1985). Integrating financial, environmental, and social considerations into cost strategies enables businesses to maintain competitiveness while fulfilling corporate social responsibility and stakeholder expectations (Schaltegger & Burritt, 2010; Hansen & Mowen, 2007). Despite the benefits, implementing SCM requires accurate data, organizational alignment, and commitment from management to overcome resistance to change and ensure strategic integration (Horngren, Datar, & Rajan, 2012; Blocher, 2015).

CONCLUSION

Strategic cost management is essential for achieving sustainable growth and competitive advantage. By employing techniques such as activity-based costing, value chain analysis, target costing, and lifecycle costing, organizations can optimize resource utilization, improve operational efficiency, and align costs with strategic goals. Incorporating sustainability considerations into cost management enhances environmental responsibility, social accountability, and long-term financial performance. Firms that effectively implement SCM are better equipped to navigate competitive challenges and achieve enduring success. A well-designed SCM approach ensures that cost optimization supports strategic objectives and fosters sustainable business practices.

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