

# **RESEARCH ON COST CONTROL OF PRIVATE PHARMACEUTICAL ENTERPRISES TAKE X MEDICINE COMPANY AS AN EXAMPLE**

## **CHAPTER 1 INTRODUCTION**

### **1.1 Research Background**

Since the reform and opening up, with the adjustment of national policies, private capital has begun to gradually enter the pharmaceutical production, management, research and development and other fields. The characteristics of small scale, low internal coordination costs, rapid decision-making, relatively simple decision-making process, and flexible capital turnover make non-public pharmaceutical companies more flexible to respond to market changes.

The reality shows usually refer to the behavior that a number of people make according to the predetermined rules in a prescribed environment for a specific purpose, and record them to make TV programs. The "reality show" was the earliest in a program "Family Adventures: one night with the Germans", which was broadcast in Germany in the 90s of last century. Foreign reality show real rise in "super big brother", "Survivor" and "Truman show", after the broadcast, the Europe and the United States in the development of reality show has become a new trend, then the new trend in the world began to pop up. The domestic media have been affected by this new trend and began to develop reality show programs. Under the Enlightenment of the survivor, Guangdong TV has planned a live reality show of the "great challenge" series. Then, it broadcast "into Shangri-La", "the canyon survival camp" and other reality shows.

To date, the principal strategies adopted by health administrations have been based on measures that are essentially economic, such as the regulation of drug prices and commercial margins, the review of public financing for specialty drugs, and the implementation of financial incentives to limit costs. The actual health protection envi, which is based on the medical freedom of physicians and the emphasis of healthcare professionals on the effectiveness of treatment to the detriment of efficiency, does not promote the spontaneous development of certain activities such as reducing healthcare resource use or modifying clinical practice. Incentive schemes may serve to respond to priority objectives of the health care system, such as the rational use of drugs.

In recent years, China's pharmaceutical manufacturing industry has developed very rapidly. The average annual growth rate of pharmaceutical production is around 17.7%, which is higher than the average annual industrial growth rate of 4.4% over the same period. It has become one of the fastest growing pharmaceutical markets in the world

today. The total output value and total profit of China's pharmaceutical manufacturing industry have risen steadily. The productivity of labor continues to increase. The number of employees has continued to increase, and it has occupied an important position in the world pharmaceutical market. As a “sunrise industry” in the traditional industry, the pharmaceutical manufacturing industry plays a role that cannot be ignored in the development of the national economy. In 2015, the population of people aged 60 and above exceeded the 220 million mark, accounting for 16.1% of the country’s total population. The aging of the population structure, the improvement of living standards, and the continual strengthening of the concept of health have all led to an increase in the demand for drugs, which has brought about a rare opportunity for the development of pharmaceutical manufacturing. However, under such a situation of developing advantages, the pharmaceutical industry is also facing real challenges.

The global financial crisis triggered by the US subprime mortgage crisis has spread to various countries and industries in the world. Many industries have been hard hit during this crisis. The pharmaceutical industry can't be spared. The financial crisis has led to the weakness of the drug market, the increase in production costs, the decline of drug demand, and the intensification of the drug market competition, which have brought new challenges to the pharmaceutical industry of our country.

Health administration adopts strategies and targets drug costs. According to earlier studies, the control of health-care drugs (PC) can create tensions between health. Administrators and medical professionals This study collects and analyzes general opinions. Practitioners on current cost control measures and their recommendations. Improve the effectiveness of these measures.

At the 2016 National Political Consultative Conference and the National People's Congress, it was proposed that pharmaceutical companies must upgrade their industries. While upgrading technological innovation and industrial innovation, they must change the extensive existing management model, especially the cost control model. In the face of this unfavorable national policy environment and industrial environment, pharmaceutical companies must turn a crisis into a driving force and use the policy of upgrading China's pharmaceutical industry to expand and strengthen pharmaceutical enterprises. This is article takes the representative private X pharmaceutical company as its research object, based on the in-depth analysis of its cost control problems. Suggest related cost control measures. It is expected that the research results of this paper can provide practical guidance for cost control in the X pharmaceutical companies and similar companies to the X pharmaceutical companies.

## **1.2 Research Significance**

The “13<sup>th</sup> Five-Year Plan” for the development of medical science and technology

promulgated by the state, in the thirteen five-year plan period, focused on bio pharmaceuticals and related emerging industries as key development targets. Major new drugs, medical devices, and research and development of traditional Chinese medicine have become key elements of development. To increase the level of domestic competition and technological innovation in high-end medical products, to scale up the pharmaceutical industry and ensure the sustainable development of the medical service industry. The study through this paper has the following implications:

(1) It will help improve the market competitiveness of enterprises

Through the analysis of the status quo and problems of enterprise cost control, the author puts forward the views of cost control and forms a plan to provide scientific information for enterprise decision-making, thereby improving the efficiency of decision-making. In order to achieve the maximization of the company's profits, and ultimately improve the company's market competitiveness.

(2) It will help improve the economic efficiency of the company

Under the conditions of a market economy, the fundamental purpose of a pharmaceutical company's operations is to earn profits, and profits are obtained by compensating costs based on the gains obtained. In the short term, the prices of products targeted by enterprises are subject to market constraints. In the current market environment, the national macro-policy has strict control over drug prices, and cost control has become the most direct and effective means of improving economic efficiency.

(3) It's beneficial to improve the management level of enterprises

The enterprise establishes the target cost system, reduces the occurrence of the unfavorable deviation through effective measures, optimizes the management means to make the deviation develop in the favorable direction, thus reduces all the management activities of increasing the excess cost, so that the actual cost of the enterprise is strictly controlled in the target cost and ultimately improves the management level of the enterprise.

(4) Through the study of this article, it has certain reference value for cost control of similar enterprises with X pharmaceutical companies.

### **1.3 Research content and methods**

#### **1.3.1 Research content**

This article takes the X medicine enterprise as the research object and is divided into six chapters. Firstly, the research status of cost control at home and abroad is introduced, and the related concepts and theoretical basis of cost control are described. Secondly, based on cost control theory and concepts, it analyzes the current status of cost control of

X Pharmaceuticals. From the aspects of procurement, transportation, capital, human resources, cost control responsibility system, cost control supervision and employee cost control awareness, the problems and causes of X pharmaceutical companies are raised; finally, based on the existing problems, the improvement measures for the cost control of X medicine companies were proposed. Specifically, it includes establishing a target cost system, improving the cost control of the procurement process, strengthening the cost control of the transportation process, improving the cost control of funds, and improving the control of human resource costs. Strengthen supervision and management mechanisms and raise employees' awareness of cost control.

### **1.3.2 Research methods**

(1) The literature analysis method: through combing and summarizing the research status of domestic and foreign cost control, it provides theoretical support for analyzing the problems of the cost control of X pharmaceutical companies and the implementation of governance strategies.

(2) Investigative research method: This article finds out the status quo and problems of cost control through the investigation and research of X pharmaceutical company in the field, and analyzes and researches the problems, so as to propose a cost control strategy suitable for X pharmaceutical.

(3) Case analysis method: This article takes X Pharmaceutical Co., Ltd as a research case, through the actual investigation of the cost control of X pharmaceutical company, uses the related theory of cost control to conduct in-depth analysis, and proposes a solution.