



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



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To

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ABSTRACT

Title: Research on cost control of private pharmaceutical enterprises
Take X Medicine Company an example
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The ever-changing economic situation and increasingly fierce competitive environment have caused a profound increase in the competitiveness of industries and enterprises, and the Chinese pharmaceutical industry has not meant to spare. The growing awareness of health and disease prevention has prompted the pharmaceutical industry to face severe challenges. With the reform of the health system and the planning of national policies, the opportunities and pressures of the pharmacological industry coexist. With the promulgation of the new federal medical reform policy and the enhancing competition among enterprises, the survival of private pharmaceutical companies faces enormous challenges. Consider the challenge of the deterioration of the external environment, the profitability of private pharmaceutical companies has been continuously compressed, and the original extensive cost control management model has not been adjusted to the company's future development. Therefore, it is extremely important to study the cost control of private pharmaceutical companies.

This article takes the X medicine company as a research case and is divided into six chapters. Firstly, it introduces the research status of cost control at home and abroad, and discusses related concepts of cost control, constraint theory, value chain theory, cost motivation theory, and basic The competitive strategy theory is elaborated; the second is the use of cost control theories and concepts to analyze the current status of cost control of X medicine company, expounding the problems of cost control in X medicine company from the aspects of procurement, transportation, capital, and human resources, and from the perspective of cost control responsibility. In the sense of cost control supervision and

staff cost control, the reasons for the cost control problems of the X medicine company were raised. Finally, built on the existing problems, the countermeasures for cost control of X pharmaceutical company were submitted, providing for the establishment of a target cost system and improvement of the procurement process. Cost control, strengthening the cost control of the transportation process, improving the cost control of capital, improving the control of human resource costs, improving the cost control responsibility system, strengthening the supervision and management mechanism, and raising employees' awareness of cost control. This article is to promote the further strengthening and improvement of the cost control work of X pharmaceutical company to obtain a long-term cost-competitive advantage, in order to provide some inspiration for the cost control of other similar medicine company.

Key words: Private Pharmaceutical Companies, Cost Control, Cost Management



摘 要

标题：民营医药企业成本控制研究以 X 医药公司为例

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当前日新月异的经济形势以及日趋激烈的竞争环境严重导致了行业及企业间竞争力的提高,我国医药行业也没能幸免,人们对健康及疾病预防意识的增长促使医药行业面临艰巨的挑战,再加上卫生体制改革和国家政策的规划,医药行业的机会与压力并存,随着国家新医改政策的出台和企业间竞争的不断加剧,民营医药企业的生存面临巨大的挑战。面对外部环境恶化的挑战,民营医药企业的获利空间被不断压缩,原有粗放式的成本控制管理模式已经不适应企业未来的发展,因此,研究民营医药企业的成本控制具有重要的现实意义。

本文以 X 医药企业为研究案例,共分为六章,首先介绍了成本控制的国内外研究现状,并对本文所涉及到的成本控制相关概念、约束理论、价值链理论、成本动因理论、基本竞争战略理论进行阐述;其次是利用成本控制理论和概念对 X 医药公司成本控制的现状进行分析,从采购、运输、资金、人力资源方面阐述 X 医药公司成本控制存在的问题,并且从成本控制责任、成本控制监管和员工成本控制意识方面提出 X 医药企业成本控制问题产生的原因:最后是从存在的问题出发,提出了 X 医药企业成本控制的对策,具体包括:建立目标成本体系、完善采购过程成本控制、加强运输过程的成本控制、完善资金的成本控制、提升人力资源成本控制、完善成本控制责任制、加强监督管理机制、提高员工的成本控制意识。本文力求能推动 X 医药公司成本控制工作的进一步加强和完善,获得长久的成本竞争优势,以期能对其他同类医药企业的成本控制提供一定的启示。

关键词：民营医药企业，成本控制，成本管理

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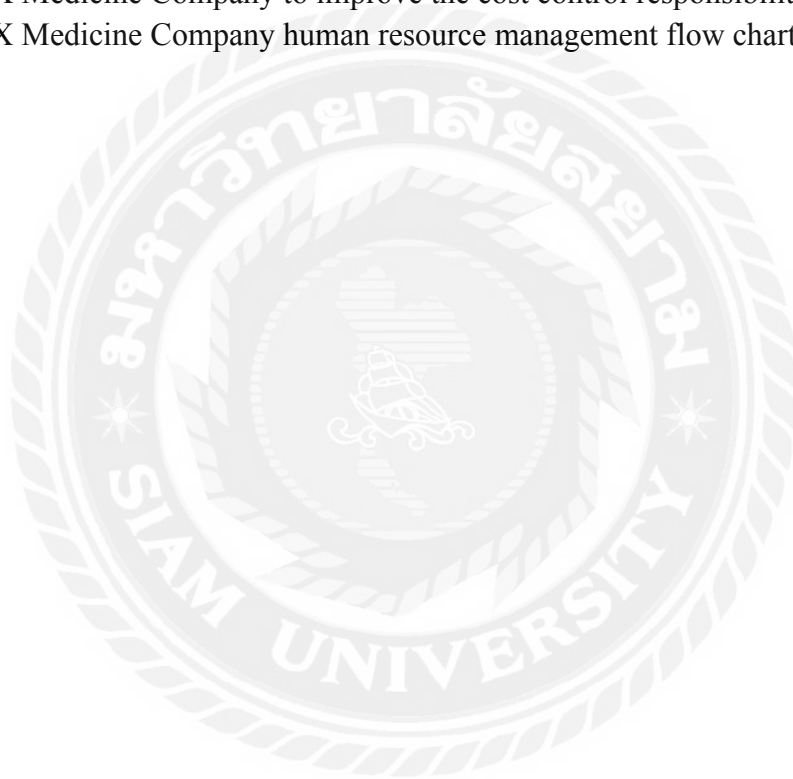
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RESEARCH ON COST CONTROL OF PRIVATE PHARMACEUTICAL ENTERPRISES TAKE X MEDICINE COMPANY AS AN EXAMPLE

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 “13th 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.

CHAPTER 2

RELATED CONCEPTS AND THEORETICAL BASIS

2.1 Related concepts

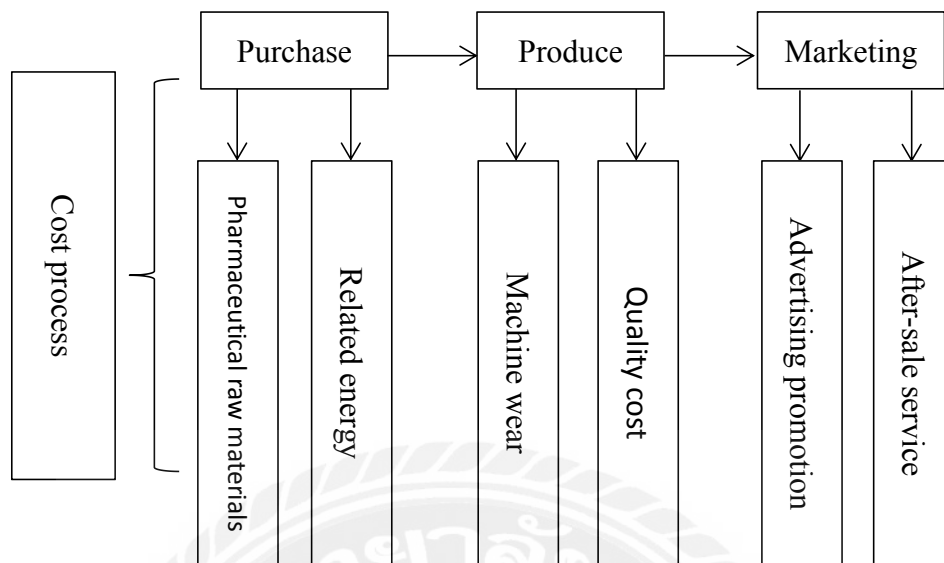
2.1.1 The concept of cost control

Cost control means that the main body exercising control is within the scope of power. Before the production, the management objectives and corresponding standards are formulated. In the production process, the actual costs are supervised according to the plans and standards, and the deviations are adjusted to ensure the goals. Cost control consists of "cost" and "control". The cost is the value that needs to be paid during the operation of the company. Control is the process of correcting and controlling. The scope of cost control involves a wide range, including the entire process of business management, including production costs, sales costs, research and development costs, human resources costs, quality costs and crisis costs. For the characteristics of their own companies, they can implement full-process cost control. According to the characteristics of the time flow and cost formation process of pharmaceutical distribution companies, they are divided into procurement cost control, production cost control, and marketing cost control.

Cost control is the practice of identifying and reducing business expenses to increase profits, and it starts with the budgeting process. A business owner compares actual results to the budget expectations, and if actual costs are higher than planned, management takes action. As an example, a company can obtain bids from other vendors that provide the same product or service, which can lower costs.

Because of the difference in the existence of enterprises, the control structure of their costs is also different. Sales-type enterprises mainly focus on the cost control of marketing, while logistics companies mainly focus on the cost control of the transport link, and the raw materials of large-scale pharmaceutical companies have large costs and are the main cost. From Figure 2-1, we can see the cost formation diagram of pharmaceutical companies. The enterprises studied in this article are pharmaceutical distribution companies. The main cost control points are the cost control of marketing, procurement and warehousing.

Figure 2-1 The cost of sale drug products forming diagram



2.1.2 Principle of Cost Control

(1) The principle of system control: System control is the process and result of the operation of the organization or the combination of dynamic and static cost control. A variance is defined as the difference between budgeted and actual results, and managers use variance analysis to identify critical areas that need change. Each month, a company should perform variance analysis on each revenue and expense account. Management can address the largest dollar amount variances first, since those accounts have the biggest impact on company results.

(2) The principle of differentiation: The management of cost control should adopt flexible and differentiated methods and means according to the needs of its cost control. For example, if a process and link of cost control indicators in a certain period is expected to have a large difference in practice, then it is necessary to pay special attention to and attach importance to the cost control of this link to find out the reasons.

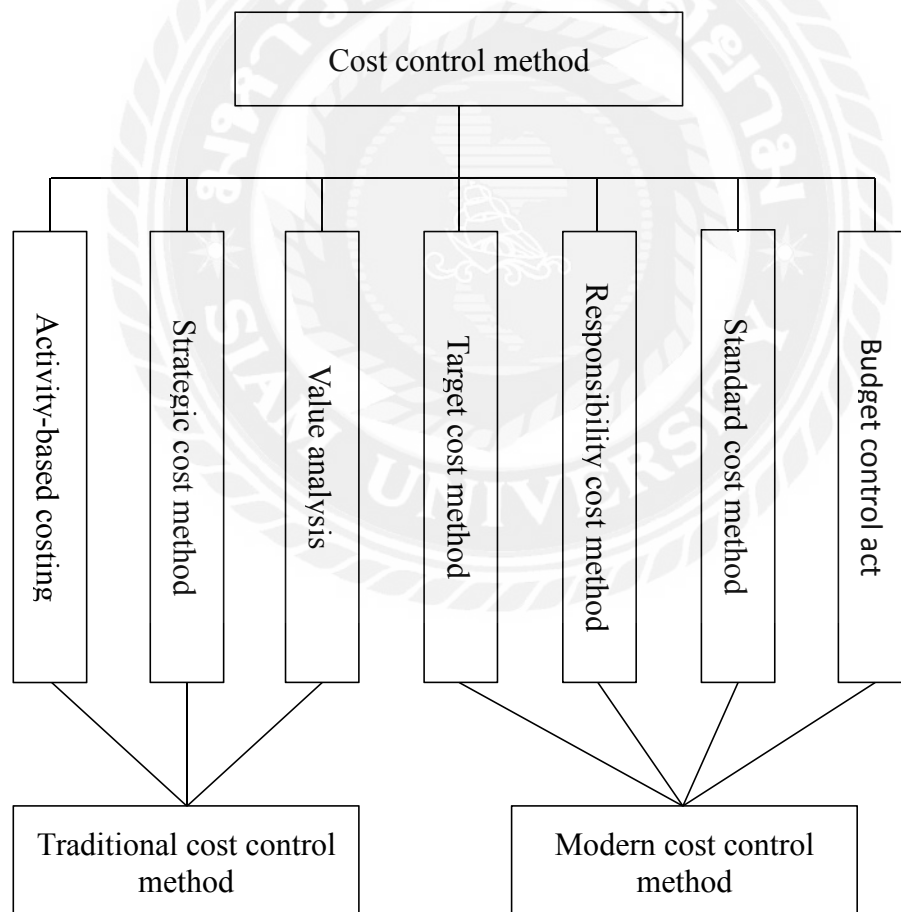
(3) Principle of economic efficiency: The important principle of cost control is to reduce consumption and increase the economic efficiency of enterprises. The evaluation of cost control economic benefit level shall adopt the principles of horizontal comparison and vertical comparison to ensure the scientificity of its cost control.

(4) The principle of timeliness: The cost control is time-bound. Scientific cost control must take timely cost control measures according to different stages of the company's business management to ensure the effectiveness of cost control. Many times miss the best period of cost control, it may cause huge losses.

2.1.3 Cost Control Methods

With the in-depth study of cost control theory and practice, cost control methods have also achieved unprecedented development and formed different methods. From Figure 2-2, we can see that the cost control method is summarized into traditional methods and modern methods. The traditional activity-based costing method refers to the practice of cost-control in Western developed countries that has not been innovated but has been directly followed and applied to the practice of cost control. It mainly includes activity-based costing, strategic analysis, and value analysis. The modern cost control method is the innovation of the original traditional cost control method or proposes a new cost control method, including the target cost method, the standard cost method and the budget control method. Enterprises generally adopt differentiated cost control methods based on their own actual conditions, and can adopt a single method or a combination of multiple methods.

Figure 2-2 The methods of cost control chart

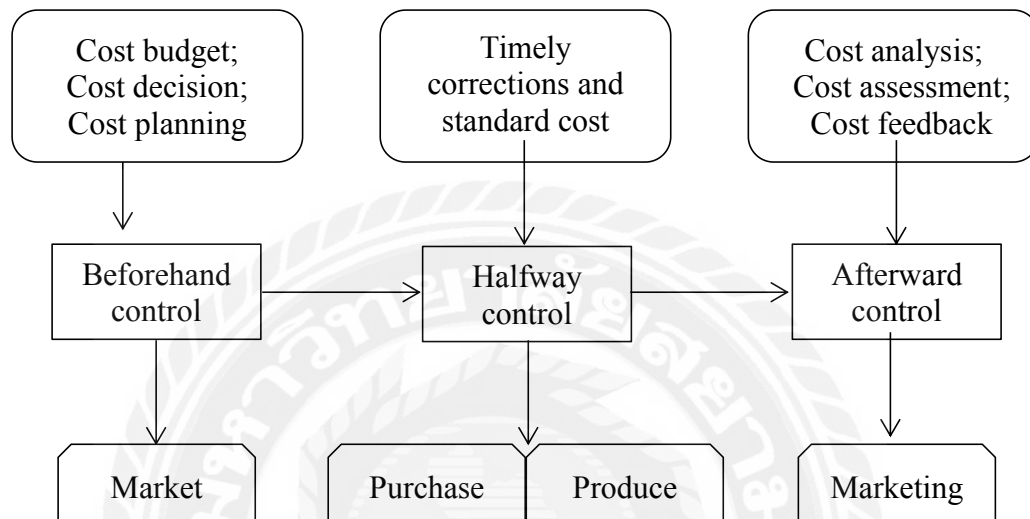


2.1.4 Cost Control Procedures

From Figure 2-3, we can see that the process of cost control is in the business process of market research, raw material procurement, product production, and product

marketing. Ex-ante control is the basis and key point in the cost control process, as well as the basis for formulating standardized costs; Intermediate cost control is the rectification of cost control, ensuring that the cost runs within the standard range; Post-event cost control is the analysis and feedback of pre-control and in-process control with cost control results.

Figure 2-3 Cost control program diagram



2.2 Theoretical basis

2.2.1 Constraint Theory

Constraint theory is the conclusion of the Israeli physicist Goldratt on the basis of researching and optimizing the production technology. It brings a new perspective to people's management. The production and operation of an enterprise are restricted by resources, and the maximum operating capacity is often determined by the shortest resource shortage. The theory of constraints (TOC) is a management paradigm that views any manageable system as being limited in achieving more of its goals by a very small number of constraints. There is always at least one constraint, and TOC uses a focusing process to identify the constraint and restructure the rest of the organization around it. TOC adopts the common idiom "a chain is no stronger than its weakest link". This means that processes, organizations, etc., are vulnerable because the weakest person or part can always damage or break them or at least adversely affect the outcome. Generally speaking, the constraints of the organization's operation come from two aspects: the constraints of internal resources and the constraints of external resources. Constraints on external resources or the environment are generally the same, and constraints on internal resources vary widely. The internal resources of manufacturing-based pharmaceutical companies mainly include production capacity, equipment carrying capacity, and staff working efficiency. The resource constraints of pharmaceutical distribution agency companies are mainly marketing capabilities, warehousing capabilities and related management capabilities. Constraint theory is based on bottleneck resources to set the company's

strategic objectives and business objectives mutually unified, to ensure that enterprises with a reasonable investment or control measures to achieve maximum efficiency, in fact, is a management philosophy and control methods.

The TOC distribution solution is effective when used to address a single link in the supply chain and more so across the entire system, even if that system comprises many different companies. The purpose of the TOC distribution solution is to establish a decisive competitive edge based on extraordinary availability by dramatically reducing the damages caused when the flow of goods is interrupted by shortages and surpluses.

For cost control, the constraint theory more scientifically clarified the company's business objectives, and objectively analyzed the current status of business cost control and cost control principles. Constraint theory believes that getting more profits is the ultimate goal of every company. It restricts the constraints that companies have in the pursuit of profits to become "bottleneck" or "constraints". This constraint is manifested in many aspects. Such as corporate resources, institutional aspects and market demand within the supply and demand chain. Enterprises need to gradually identify and eliminate these "bottleneck", so that the company's direction of improvement and improvement strategy clear, so as to achieve the company's profit goals effectively. In the internal pursuit of logistics balance, rather than the balance of production capacity, so that all aspects are synchronized with the bottleneck node, in order to achieve the shortest production cycle, reaching the maximum production and sales rate concept formed the core of the famous constraint theory.

2.2.2 Value Chain Theory

The value chain cost control theory was developed based on the value chain theory put forward by Michael Porter. It mainly refers to the scientific control of the costs of the internal value chain and external value chain in the business process of the company. Companies get the greatest return with the smallest investment. Value chain cost control content is mainly divided from two aspect, the value chain management level and the value chain management object are divided. The cost control of the value chain management level mainly includes the strategic level cost control, the management level cost control and the operation level cost control; and the value chain object cost control includes the supplier value chain cost control, the internal value chain cost control, the customer value chain cost control and competitor value chain cost control. On the basis of the value chain cost control theory, cost driver analysis is carried out. The motivations at the strategic level are mainly the causes of structure and execution, and the motivations at the operation level are the operational and resource drivers.

Through the interpretation of the concept and content of the value chain, we can see that the value chain cost control has the following characteristics: First: systemic, open and dynamic. Systematic mainly refers to the value chain cost control throughout the

entire process of business operations, the openness is the cost control department and the main body involved in the value chain, all clear in advance its cost control objectives and content, dynamic is the value chain Cost control is based on the company's objectives within different time periods to take dynamic control measures. Second, qualitative cost control is the control of the prior control period. It is mainly based on the company's development strategy and sets clear cost control objectives. The prescribed amount of objectives mainly refers to the cost control of the process and operation stages, with emphasis on the controllability of cost control and the refinement of indicators. Third, cost control across the boundaries of the original organization. Crossing the border is a cost control method that compares the cost control of the value chain with the cost control of the enterprise itself, and realizes the goal of the enterprise. It controls all the internal and external organizations of the enterprise value chain.

2.2.3 Cost Driver Theory

The cost driver theory is proposed in the book "Cost Planning and Control". He pointed out that the cost driver is the factor that influences or drives changes in the company's cost. The traditional cost driver theory has been the sole theory of cost control for many years, and it is believed that the business volume is the only factor affecting the cost change. With the complexity of the company's job process, the job is considered to be an important cost control link. That is the theory of job cost motivation. With the increasing role of strategic theory in the management of enterprises, the theory of strategic cost drivers emerged. Through combing the cost control theory, we can find that the traditional cost drivers, activity cost drivers, and strategic cost drivers are the three stages of cost driver development. They are the relationship between foundation, development, and sublimation. The development of the three stages of theory is not the theory of the next stage can replace the theory of the previous stage, but the result of the in-depth study of the theory of cost motivation is the result of diversification and differentiation based on the needs of practice. The medical enterprises studied in this article have the characteristics of liquidity. In the analysis of cost motivation theory, the sales department takes the traditional cost driver analysis as the main, and the circulation link mainly focuses on the analysis of the operating cost drivers.

2.2.4 Basic Competitive Strategy Theory

The basic competitive strategy was first put forward by Porter in his book "Strategy and Management". He pointed out that in order to meet the needs of market competition. It will adopt one or several organic combination of cost leadership strategy, differentiation strategy, and centralized strategy. Each company can use its own advantages and adopt appropriate strategic options based on the characteristics of its products and resources. The cost-leadership strategy is also a low-cost strategy. It refers to the products or services that the company produces in the course of its operations. Its operating costs are

much lower than those of its competitors. The cost leadership strategy ensures the company's ability to profit, and can use its price advantage to squeeze its competitors out of the market. Differentiating strategy is also called strategy innovation, which is based on the needs of the company's own development and adopts different management strategies for products, services, channels, prices and promotions. The centralization strategy is also called focusing strategy. It refers to the strategy that the company focuses its limited advantage resources on a product, a service object, or a market segment.

According to the types and characteristics of the basic competitive strategy theory, as X pharmaceutical companies, their capital and marketing capabilities are limited. Therefore, the agents' products must be differentiated, and they should be centralized in a certain market according to their different uses Strategy. and at the same time, in order to reduce the operating costs of the company, the cost-leadership strategy always runs through every link of the company's operations, so as to achieve both open-source and cost-saving.

2.3 Literature review

2.3.1 Foreign research status

The overseas cost management theory developed earlier and is now in the stage of strategic cost management. Scholars from different countries in management practice have continuously enriched the theory of strategic cost management and formed a complete theoretical framework.

Mukherjee (1988) elaborated the principles, methods and contents of cost management in his work. The standard cost is the reference point of cost management and must be scientifically formulated and continuously updated and changed. The budget cost is the cost prediction and estimation of the early stage of the company's operation. Alienation analysis means that cost control should be based on the different departments and companies, and takes objective, scientific and practical analysis.

Boukas and Liu (2003) the American strategic management expert based on the problem of cost control in The United States. In his paper, he first proposed the important role of corporate strategy in cost control. He believes that if companies want to formulate a scientific and reasonable cost control strategy. They must integrate the company's overall strategy into the company's cost control.

Sood, Vries, and Lakdawalla (2009) introduced an overall management philosophy in his book titled "Goals," designed to help organizations continue to achieve their goals.

Walter (2015) pointed out that cost management short-sighted behavior is one of the important reasons for cost management failure and difficult to control. This is the beginning of the introduction of strategic management thinking into cost management.

His proposed cost control and management is an important part of the company's strategic development.

Hooshang and Bchcshti (2004), an American accounting expert, first proposed the active cost management method for the source company's operation process in the country, and the hydro-power company tried it. With continuous practice and summary of the cost management law in the United States, by the late 1970s, the Operation cost management method, was used by most companies. The focus of its content and cost management is constantly innovating. There have been the basic operational cost management method, the management of post cost operation management method, and professional post cost operational management method, etc.

Dias (2009) elaborated in his work the application of standard cost theory in cost control, and proposed the fixed cost control method and plan cost control method.

Sturm, Austcoll, and Vernby (2007) suggest that purchasing is a fundamental function in the beverage control cycle. If this function is managed efficiently, then any hotel can attain quality beverage products at the minimum cost possible according to the company's financial objectives.

Geun, Jin, and Young (2013) pointed out that the virtual value chain and value chain should fully consider the processes and stages of business operations in cost control, and formulate standards for value chains and virtual value chains according to different stages and processes. Only in this way can science be developed. And effective cost control measures. The value chain is a key factor for enterprises to increase efficiency and enhance core competitiveness. Only by truly excavating the core cost control value chain of each enterprise and each department at different stages can the efficiency and effectiveness of cost control based on the value chain be guaranteed.

An early communicator of a similar concept was Mewes (1963) of Germany, who published a theory about power-oriented management (*Machtorientierte Führungstheorie*) and his *Engpasskonzentrierte Strategie* as more advanced bottleneck theories.

Hyunsoo, Minchcol, and Sora (2014) uses Porter's value chain theory to analyze the cost control. Although its practice and application are not satisfactory, this is an exploration of value chain theory in cost control theory.

Stefano and Timothy (2014) On the basis of previous research, the theory of virtual value chain is proposed. This is a significant improvement in the application of cost control in cost control.

Ji and Hou (2015) On the basis of previous research, the theory of virtual value chain is proposed. The application of virtual value chain in cost control has achieved

good results.

Wang, Guan, and Yin (2014). Logistics – a relatively new and young field of economics and human activity. Logistics covers activities such as information exchange, transport service, inventory management, warehousing, cargo handling and packaging. Every day logistics enterprise is considered as a complex process aimed at reducing overall costs. In terms of production growth, which led to a sharp increase in costs, entrepreneurs stopped on finding means to reduce the cost of the circulation. At the heart of successful logistics are the use of new information technologies and new approaches of transportation and warehousing activities. Many entrepreneurs are seeing the competitive advantages of new logistics systems and ways to implement them.

Liu and Rong(2013) analyzed the cost control data of a number of companies in the United States. For the first time, the theory of cost control responsibility system was proposed. The responsibility system plays a decisive role in cost changes and follows a certain rule with cost control.

Ben, Hazen, and Hanna (2014) proposed a cost-integration and systematic control decision model by quantifying the process and cost of the entire transportation, and formulated control criteria and optimal status for different periods and phases.

Through the study of foreign cost management, we can see that in the research of cost control theory, we mainly integrate strategic management theory, life cycle theory and standardized cost management theory into cost control management. The research methods mainly focus on the Operation cost management method, the standard cost management method, the value chain cost management method and the virtual value chain cost management flow in the cost control measures research is mainly the cost motivation measures, the key business cost control measures and the key Process control measures.

2.3.2 Domestic Research Status

Wang (2008) Southwestern University of Finance and Economics is an advanced university in cost control research, and also the first university to establish a cost control management research institute in the country. It proposes strategic cost control theories and methods in different areas. Its research results are cost the great contribution of control.

Zhang (2012), the main representative of academics of China's professional research cost control, etc. Under the advocacy and organization of these people, China established the China Cost Control Promotion Association in 1986. The Promotion Committee gathered well-known domestic scholars, professors, and experts. There are also business

leaders and government leaders. The meeting is held twice a year. The meeting is mainly based on the in-depth study of Western cost control management theories, and in combination with China's actual conditions, formulates a cost control theory that is in line with China's national conditions and guides China's objective practice. At the same time, the Chinese government has also established a project for cost control and has achieved outstanding results. A series of cost control methods have been proposed. The most representative one is the theory of variable cost control, the theory of monorail production, the dual rail production control theory and the cost of blending control theory and so on.

Wang (2014) based on domestic and foreign strategic management theory and organizational behavior theory, puts forward a strategy-oriented organizational reform cost control theory and organically integrates strategy, organization, and cost control.

Fang (2001) took the value chain as the starting point of the study, proposed a three-dimensional, four-dimensional and multidimensional cost control concept, and used this research as a new perspective for the actual application of different types of enterprises, and achieved certain results.

Armstrong (2002) 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 e.g. drug budgets or performance based payments

Zhao (2011) redoes and expands Porter's value chain theory, analyzes and refines the nodes of agents, suppliers, and competitors in the external value chain, and on this basis proposes a new type of value chain cost control method.

Mao and Wang (2013) analyzed how the standard cost method quantifies and influences different types of enterprises according to their size, industry characteristics, and strategic goals. This is the original standard cost method. The expansion and practice can also be called standard cost control or Chinese-style cost control.

Di and Weng (2013) studied the cost control of steel logistics, and put forward the inventory cost, the time cost and sales cost of the funds receivable, which are the main strategic starting points for the cost control of this type of company, and put forward the information-based, Storage, scientific results, marketing results, and cost control measures to minimize the receivables.

Zhang, Sun, and Huang (2014) Research Group, National Institute of Economic Research, National Development and Reform Commission, for the cost characteristics of pharmaceutical distribution companies, based on the original operating cost control,

developed a related index system, and evaluated the indicators with a fuzzy evaluation method. The important operational indicators and key indicators of key links are combined to formulate a cost control indicator system to improve business efficiency.

Sun (2014) and others took the form of a case to study the cost control of logistics companies. In logistics cost control, cost planning and strategic planning are the main nodes of the value chain. Controlling the main links of the cost control value chain is a cost. The main measures of control are also guarantees for the long-term profitability of the company.

Fan (2014) based on the analysis of the cost control of logistics enterprises of different scales, puts forward measures, methods and steps for scale cost control, and key nodes for scale control.

Zhang and Zhao (2014) systematically discussed the causes and measures of cost control in their works. They integrated strategic thinking and SWOT analysis into the analysis of causes of cost control and the formulation of measures, and based on the causes of enterprise cost control develops strategies.

It can be seen from the analysis of the status quo of domestic cost control research that the study of cost control theory mainly includes variable cost control theory, monorail production control theory, dual rail production control theory and hybrid cost control theory. The cost control methods are mainly value chain method, target value chain method, standard method, multidimensional cost control method and strategic value chain method. The cost control measures are mainly based on nodes, value chains, causes, standards and processes.

2.3.3 Review of Research Status at Home and Abroad

Through the analysis of the current research status of domestic and international research on cost control in the previous two sections, it can be seen that the proposed and formulated cost control theory is proposed by developed countries such as Europe and the United States and is at the forefront of theoretical research. The theoretical research on cost control in foreign countries is more in depth. The application of quantitative analysis models is more mature. Cost control methods vary according to different countries and different methods in the industry. Implementation strategies are also flourishing.

Our country entered the research field only in the later period of reform and opening up according to the needs of the enterprise and the market. The depth and breadth of its research is not enough. China's cost control theory has almost no basic theory of its own. All of them are based on the original foreign theories, and some are expanded, some are subdivided, and some are combined with the application of multiple theories. It can be

said that China is in the original cost control theory in innovation. In terms of research methods and tactics, it mainly adopts cost control methods and measures with Chinese characteristics according to China's national conditions and characteristics of enterprises.



CHAPTER 3

X PHARMACEUTICAL COMPANY'S COST CONTROL STATUS.

3.1 X Pharmaceutical Company Profile

X Pharmaceutical Company. is a well-known pharmaceutical agent and pharmaceutical distribution company. The company was established in 2000 with a registered capital of 30 million RMB. It currently employs 187 people, including 101 sales and management personnel, 36 technicians, and 50 management and other personnel. Its marketing channels are spread all over the country. Its sales performance has been successively in private pharmaceutical companies. China is in a leading position. There are several departments within X Pharmaceuticals, with clear division of labor and clear responsibility:

(1) General manager:

1. Responsible for convening shareholder meetings; Implementing resolutions of shareholders meeting and reporting to shareholders' meeting.
2. Determine the company's production and operation plans and investment plans;
3. Determine the company's internal management organization settings.
4. Approval of the company's basic management system.
5. Hear the general manager's work report and make a resolution.
6. Formulate the company's annual financial forecast, final accounts plan and profit distribution plan.
7. Proposing the company to increase or reduce the registered capital, division, merger, termination and liquidation.
8. Appointment or dismissal of general manager, deputy general manager and head of financial department of the company, and decide their reward and punishment.

(2) Strategic Development Department:

1. It is mainly responsible for the investigation and research of the pharmaceutical industry and related industries.
2. Organize and revise the group's mid-to-long term development strategy and year-end development plan.
3. Review the ownership company's development strategy to ensure that the strategy is consistent with the overall strategy of the group.
4. Find new business development opportunities and conduct feasibility studies.
5. It is mainly responsible for the planning, evaluation and management of the group's brand construction.
6. It is mainly responsible for the management of the group's technology strategy and the demonstration and evaluation of the Group's major R&D projects.
7. Formulate and improve the group's medium and long-term IT plans and organize the implementation.

(3) Asset Management Department:

1. Implementation of property rights (equity) management of the Group's assets, timely understanding of the changes in the increase and decrease of assets, to ensure the integrity and effectiveness of the Group's assets and equity.
2. Responsible for the preparation, convocation and organization of the group company's asset management committee.
3. Responsible for organizing the capital operation plan of the group headquarters and formulating and implementing the fixed assets investment plan.
4. The audit right belongs to the company's capital operation plan, fixed assets investment plan, and supervision and implementation.
5. Formulate long-term investment and financing planning and investment promotion work for the group.
6. Responsible for the review of the Group external guarantees.
7. Conduct research, review, and argumentation on the investment and financing projects of property companies to provide support for the Group's board of directors.
8. Responsible for the supervision of the investment and financing project process and the evaluation of investment and financing results.
9. Organize the formulation and implementation of group headquarters financial policies and financial management systems.
10. Review and supervise the company's financial policies and financial management system.

(4) Audit and Supervision Department:

1. Audit and supervision of important economic activities such as financial management and major investments of the Group's headquarters and subsidiaries in accordance with legal procedures.
2. Group headquarters and subsidiaries conduct annual audit supervision.
3. Conduct timely audits of economic responsibilities, restructuring audits, and leaving audits.
4. The investigation and handling of the loss of assets of the Group.
5. Participate in the drafting and review of regulatory documents such as group rules and regulations.
6. Review of the ownership of the company's internal control system, the establishment of sound and follow the situation.
7. Study laws and regulations related to the management of enterprises, and participate in negotiations on major business decision-making activities, and provide them for the board of directors of the Group to make decisions.
8. Support the formulation of the group contract management system, supervise the conclusion, modification, execution of the contract, and terminate the entire process.
9. Group headquarters litigation and non-litigation legal affairs processing.

(5) Human Resources Department:

1. Organize the formulation of group headquarters human resources planning.
2. Responsible for the organization of the headquarters of the Group, and the

establishment of posts for each department.

3. Responsible for personnel recruitment, selection, position adjustment and salary level adjustment in the Group headquarters.
4. Formulate the group headquarters salary system, performance appraisal system, training plan, and organize implementation.
5. Responsible for the related work of personnel files management of the Group headquarters.
6. Organize the implementation of the selection of expatriate directors and supervisors, appointment, and removal of the work.
7. Formulate the remuneration system and performance appraisal system for expatriate directors and supervisors, and organize the implementation.
8. The audit right belongs to the company's management team.
9. The auditing rights belong to the company's general manager's salary system, performance appraisal system, and supervision and implementation.
10. To supervise and supervise the company's human resources management and to be responsible for the construction of the company's corporate culture.

(6) Department of Administration:

1. Responsible for the management of the group's external public relations.
2. Responsible for various reception activities of the Group headquarters.
3. Responsible for the group headquarters conference organization work.
4. Responsible for the organization and service of large-scale activities of the group.
5. Responsible for file management of the group headquarters.
6. Responsible for the management and use of the licenses, seals and letters of reference of the group headquarters.
7. Responsible for the secretarial work of the Group headquarters, handling official documents, assisting the group leaders in determining the work schedule and carrying out daily work.
8. Responsible for sending and receiving letters from the Group headquarters, procurement, storage and use of office supplies at the headquarters.
9. Responsible for group headquarters vehicle and fleet management.

(7) Business coordination department:

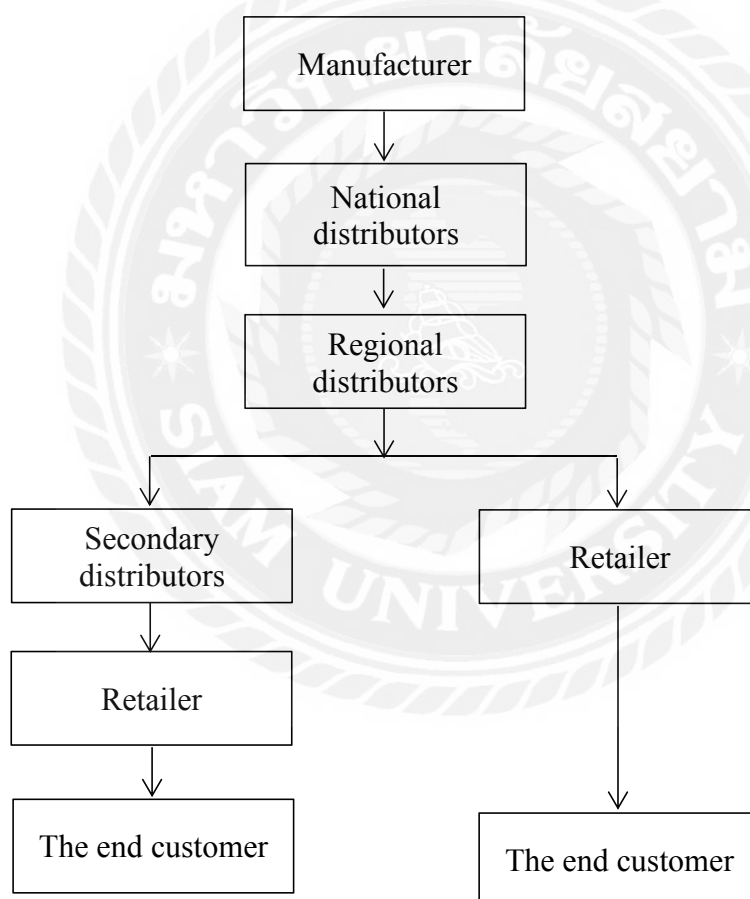
1. Review, coordinate and summarize the production plans of each subsidiary.
2. Coordinating subsidiary related transactions and arbitration of disputes.
3. To organize the group quality system certification work and implement the supervision function for the system operation.
4. Coordinate management of major issues arising in the daily production of subsidiaries.
5. Supervise and supervise the company's safety, measurement and equipment management, and coordinate and arbitrate disputes within the company's internal ownership companies.
6. Group companies' statistical analysis of industry and commerce, sorting and reporting work.
7. Organize the implementation of improvement and promotion of the management

system within the group.

8. Organize and implement the external declaration and management of management innovation within the group.

X Pharmaceuticals is a regional distributor in the industry value chain and an agent for Heilongjiang Province. From Figure 3-1 we can see that the business is mainly for secondary distributors and hospitals in the Heilongjiang region. The marketing channels of X Medicine are mainly network informationization of hospitals and pharmacies, and Scientific are the main business objectives of X pharmaceutical companies. Differentiated and refined marketing, caring and meticulous service concepts have won many Good hospital evaluation.

Figure 3-1 X medicine company industry value chain



3.1.1 National Pharmaceutical Industry Environment

At the level of macroeconomic regulation and control, the State has adopted the people's livelihood as a starting point, and has intensified its control over drug prices, drug management, drug recovery, drug marketing, and drug distribution chain. These macro-controls have, to a certain extent, constrained the development of private pharmaceutical companies. The pharmaceutical industry is in a downturn. In the

long-term sense, these macroeconomic controls that are taken into consideration for the people's livelihood are conducive to the regulation of the pharmaceutical market and refine the structure of the pharmaceutical industry, which will certainly have a positive effect on the development of the pharmaceutical industry. However, in the near term, with the gradual increase in control efforts, the impact in the short term is unavoidable. Enterprises need to adjust their internal management strategies in a timely manner in accordance with changes in national policies. The state's regulation is mainly reflected in the following aspects:

(1) The price of drugs has decreased. Since 2001, after the government began to implement national controls on drug prices, it has carried out 17 drug price cuts, designed more than 1,000 drug types, and reduced drug sales by more than 30 billion RMB, with an average drop of more than 15%. The current dissatisfaction with drug prices is still very high, so the state's control over drug prices will continue to strengthen. For private pharmaceutical companies, facing the gradual reduction of profits, improving the technological level and strengthening the management influence system has become the key to the development of the company.

(2) Drug classification management. The state has successively promulgated the catalogue of OTC drugs, prescription drugs, tender drugs, and social insurance drugs, which greatly strengthened the drug classification management policy. The implementation of this policy has strengthened the safety of the circulation of medicines. The people can have detailed instructions for purchasing medicines so that they can truly benefit the general public. However, this policy has also led to a substantial reduction in the profits of pharmaceutical production and distribution companies and hospitals. The pressure on drug sales companies, which are intermediate links, is particularly great. There are higher and higher drug prices on production companies, and there are more and more consumer segments such as hospitals. With low drug prices, drug sales companies are in a difficult position in the face of the great competitive pressure of hospital bidding.

(3) Prescription drugs "restricted sale". The state's supervision of prescription drugs is increasing. It clearly stipulates the methods of production and sales of prescription drugs. It also strictly requires hospitals to comply with prescription drug regulations and requires pharmacies to sell drugs strictly in accordance with prescriptions. With the increase in regulation, the scope of prescription drug supervision will increase. the greater its impact on private pharmaceutical companies.

(4) Supervision of medical advertisements. In recent years, the state has intensified efforts to standardize and rectify the pharmaceutical advertising industry, resolutely prevented the occurrence of misleading, deceptive, and infringement actions, greatly guaranteed the rights and interests of ordinary people, and purify the drug promotion market. The formulation of this policy makes it necessary for private pharmaceutical companies to correctly grasp the starting point and method when conducting propaganda.

This has a certain restrictive effect on the marketing of private enterprises.

(5) Combating gray medical income. In our country, the confusion in the pharmaceutical industry is largely attributed to gray medical income. For the fiercely competitive pharmaceutical industry, grey income has always been a secret weapon for pharmaceutical marketing and company competition. How to expand medical terminals has become the key to the development of enterprises. These grey incomes have also greatly increased the company's costs and become an important factor in high drug prices. The state has intensified efforts to combat the grey income of the pharmaceutical industry, purify the pharmaceutical market, and ultimately reduce the price of medicines. The formulation of these policies has also led to a huge shift in the marketing strategy of private enterprises. By increasing the level of technology, optimizing the management level of enterprises, and creating a good corporate image, the company's total marketing volume has been improved. How can we steadily pass this transition period and become private the key to the survival of pharmaceutical companies.

3.1.2 Internal competition environment in the industry

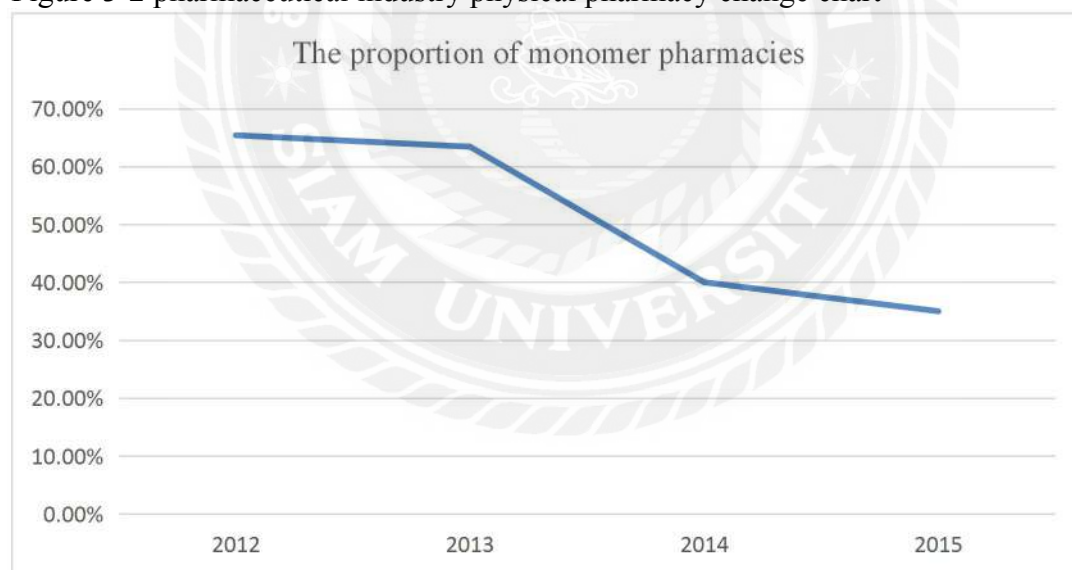
In the fiercely competitive environment, the domestic pharmaceutical industry has also responded to the situation that the survival of the fittest has emerged. The companies that can win in the competition will be strong and go to mergers and acquisitions to reorganize other eliminated companies. In this way, a large number of large companies and large groups have monopolized the pharmaceutical market. They have rich resources, good reputation, and well-known brands. Market share, profitability and market recognition are more promising than other companies. With the intensification of internationalization, China's pharmaceutical industry is severely affected by foreign capital. Advanced technology, high level of marketing management, and strong capital are the competitive advantages of foreign capital. In the near future, the reform of the pharmaceutical industry will conform to the laws of the market. The long-term and stable development of an enterprise depends mainly on the comprehensive strength of the enterprise. Only by improving the overall competitiveness and raising the level of cost management will it be prevented from being merged by other pharmaceutical companies or eliminated.

Industry rivalry usually takes the form of jockeying for position using various tactics (for example, price competition, advertising battles, product introductions). This rivalry tends to increase in intensity when companies either feel competitive pressure or see an opportunity to improve their position. In most industries, one company's competitive moves will have a noticeable impact on the competition, who will then retaliate to counter those efforts. Companies are mutually dependent, so the pattern of action and reaction may harm all companies and the industry.

The sales channels and changes in the pharmaceutical system are rapidly undergoing

qualitative changes. The diversified and three-dimensional sales model replaces the vertical sales channels of traditional production companies, large sales companies, small sales companies, and consumers. Large-scale pharmaceutical sales supermarkets and flat-rate supermarkets are being developed to scale and intensive, and small and medium-sized pharmacies have developed in a wide range, small-scale, and rapid expansion of the number of development models. With the development of science and technology, the network has improved the sales efficiency of pharmaceutical companies, the traditional sales model has weakened the coverage of the market, and the system of pharmaceutical sales has undergone fundamental changes. As shown in Figure 3-2, we can see a dramatic drop in the number of monomer pharmacies in 2015, accounting for 65.38% in 2012, 63.4% in 2013, 40% in 2014, and only about 35% in 2015. According to statistics, in 2015, the total number of Internet trading qualifications received by pharmaceutical companies was 829, an increase of 56.3% over the previous year. From the sales performance, the average growth rate of e-commerce sales revenue of such pharmaceutical companies exceeded 50%, far greater than traditional sales. With the combination of enterprises, hospitals, and drug supermarkets, the drug sales model is also moving towards diversification. Diversification of drug sales channels will increase sales risks.

Figure 3-2 pharmaceutical industry physical pharmacy change chart



3.2 Current Status of Cost Control of X Pharmaceutical Company

3.2.1 Content of Cost Control of X Pharmaceutical Company

The contents of cost control of X Pharmaceuticals Company are divided into the following three aspects: the control of drug sales, the control of the drug sales process, and the control of the drug transportation process. Each link plays a decisive role in the entire cost control process. With the goal of high-efficiency cost control of the company, and based on the coordination of various links in various departments, it strives to

establish a complete cost accounting management system. From the aspect of cost control, it is the entire process and all aspects of cost control for X pharmaceutical company. The control before drug sales mainly refers to the procurement cost control of pharmaceuticals. The procurement costs accounted for 64% of the total cost of X pharmaceutical company, which was the main target of cost control for X pharmaceutical company. The cost of procurement most directly affected the total cost of X pharmaceutical company. The control of drug sales mainly includes labor costs, sales expenses of sales personnel, capital costs, and management department's expenses. The cost control in the circulation of pharmaceuticals includes the packaging of medicines, the transportation of medicines storage loading and unloading, and distribution costs.

3.2.2 Has established a preliminary cost accounting management system

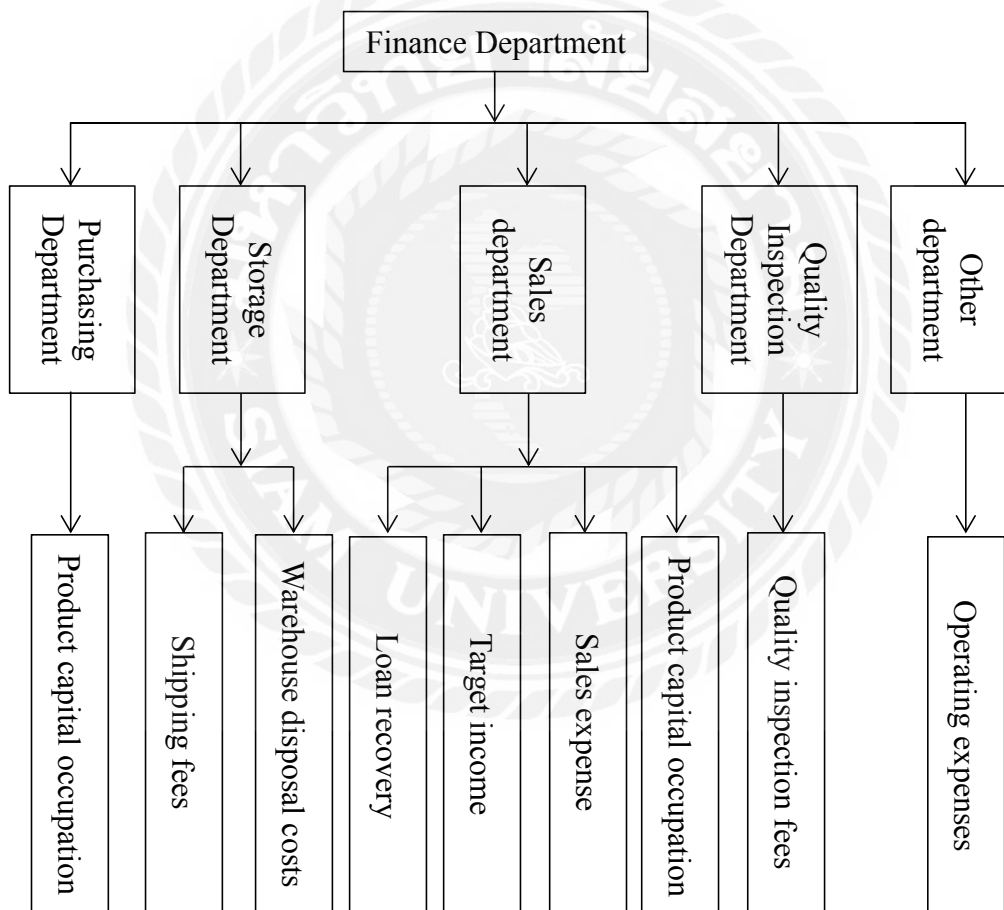
Establishing a complete product cost accounting management system is the basis for cost control. Cost accounting is a business tool that management uses to evaluate production costs, prepare budgets and take appropriate cost control measures to improve the company's profit margins. The purpose of cost accounting is to determine a company's production costs by examining direct and indirect costs involved in manufacturing the company's products. After more than 10 years of accumulation, X Pharmaceutical has initially established a basic system for product cost accounting management. Review all materials and conduct timely and accurate records, To inspect the daily activities such as internal transfer, entry and exit, etc. among the various departments, accurately measure energy consumption, etc., and conduct on-site inventory of the company's property and materials. The relevant functional departments of the company shall check and check the company's property and materials at specified time; according to market changes and price adjustments, the list of planned prices shall be unified, and all materials related to production and business activities shall be priced uniformly and updated annually. The parties concerned shall record, fill in, and keep up information concerning the distribution of materials, the receipt of materials, the use or loss of materials and equipment, the storage of products in warehouses, the time of overtime work, and the quality inspection of production and operations. Clearly stipulate the records of the responsible units and personnel, when problems occur, the direct responsible person and the parties to assume responsibility.

3.2.3 Initially established cost control

The establishment of the cost calculation management system is only basic for cost control. It is important to expect cost control to be effective, to solve the actual problems of the company, and to establish a supervisory mechanism and cost control responsibility system. Fixed costs plus variable costs make up the total ongoing expenses for a Company that is examined in cost accounting for management to analyze expenses in relation to revenues, with the goal of improving cost efficiency and profit margins. This is

an important method for achieving cost control. The sale of pharmaceuticals and medical devices is the main business of X Pharmaceutical Company. The financial department conducts unified and standardized management of the company's financial affairs. Currently, the cost control system of X Pharmaceuticals Company is centered on the financial department. From Figure 3-3, we can see that the Ministry of Finance carries out a preliminary budget for target costs based on past reference data, and the company's other rights departments (especially the Purchasing Department and the Sales Department) use cost indicators for cost control. According to the market competition status, it timely reports to the finance department, and adjusts the cost budget in time according to the size of the difference, and the financial department conducts macro-control so as to ensure the smooth completion of cost control indicators.

Figure 3-3 Cost control responsibility system of X pharmaceutical Company



3.2.4 Uses the fixed cost method to control the cost

The fixed cost method to control costs is the current method used by X Pharmaceuticals Company. Fixed costs are one of the two major inputs, along with variable costs, in cost accounting that are used by a company's management team to determine budgets and control expenses in relation to revenues. The finance department plans an annual cost plan for this year, based on the company's previous year's cost

control completion status. The company's sales revenue increases or decreases, and the profit increases or decreases. The company's cost control targets for the current year are formulated. Finally, the cost indicators (the breakdown of costs and the proportion of the total cost) are delivered to each company department. The Ministry of Finance shall. Based on the principle of not exceeding “the ratio of sales expenses to total sales revenue in the previous year”, formulate the annual assessment standards and specifications. However, the target of current cost control for X Pharmaceuticals Company is mainly the general expenses of the company's basic business activities (mainly concentrated in procurement and sales). The normal operations of various departments and companies are inseparable from these general expenses. This part of the cost of the Ministry of Finance as the competent department, they conduct a unified supervision and inspection, supervision of each department is in accordance with the company's quota indicators for cost control, and supervision at the same time inspect the cost savings of various departments completed.

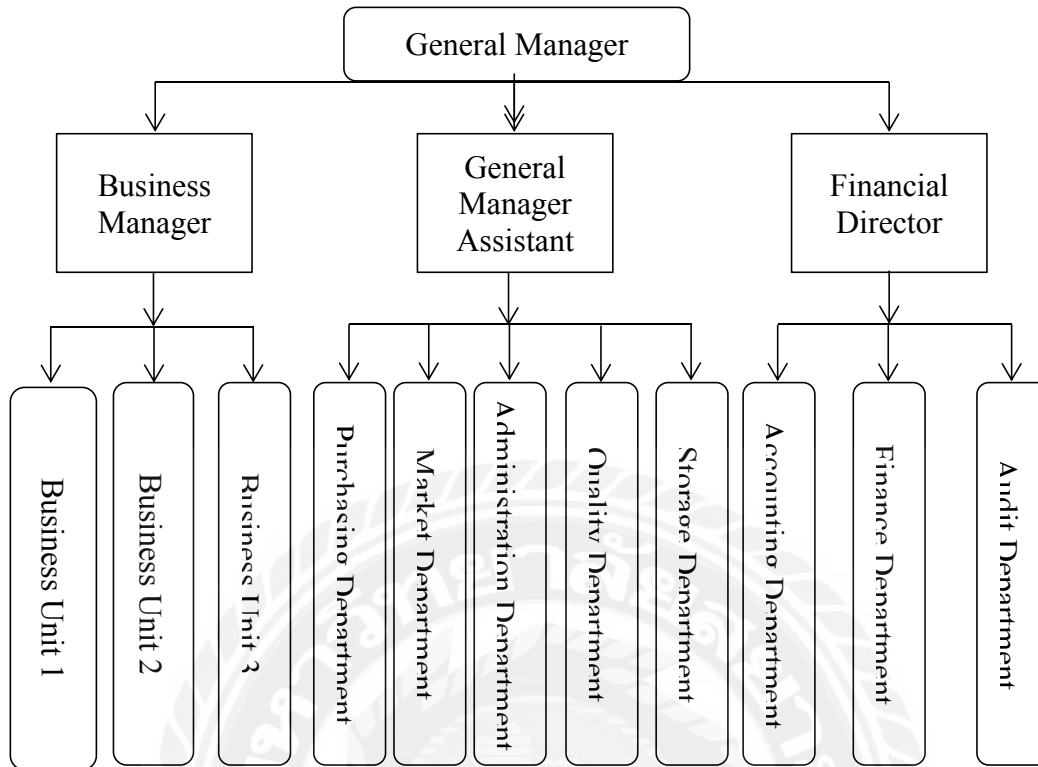
Sales and marketing play an important role in the pharmaceutical industry and are important barriers against entry of small firms. Sales and marketing activities are very costly, as advertising is highly restricted, and pharmaceutical companies have to approach hospitals and doctors by sales agents. It takes large fixed costs to cover the whole market by sales agents. Therefore, large pharmaceutical companies have competitive advantages compared to smaller firms as they have already covered most of the market, and they can add another drug to their product portfolio more cheaply.

The other major cost component that companies consider in cost accounting is variable costs. Variable costs are the direct production costs that, unlike fixed costs, do vary according to levels of production or sales. Variable costs are commonly designated as cost of goods sold, whereas fixed costs are expenses not usually included in. Fluctuations in sales and production levels can affect variable costs if factors such as sales commissions are included in per unit production costs.

3.2.5 Execution of Cost Control Measures

The "straight line functional system" model is the organizational structure adopted by X Pharmaceuticals Company. From Figure 3-5, the general manager is responsible for formulating the company's strategic cost planning. Each subordinate department formulates specific implementation strategies that match their own department's actual situation according to the strategic cost planning, and completes the company's cost control strategy. There are many company departments, and the organization is not coordinated, and the company management lacks awareness of prior cost control. It always adopts a planned cost model. It only calculates the cost after the project ends. The company staff also lacks a sense of cost control and is not active in cost control. Not taking the initiative, greatly reducing the cost control efficiency.

Figure 3-5 X medicine company organization chart



3.3 Summary of this chapter

This chapter describes the current status of cost control of X Pharmaceuticals Company. First of all, the system introduced the basic situation of the company, analyzed the pharmaceutical industry environment and the industry competition situation. Through the analysis, the current cost control status of X Pharmaceutical Company. Content of Cost Control of X Pharmaceutical Company. It has established a preliminary cost accounting management system. Initially established cost control. It uses the fixed cost method to control the cost. The status of implementation of cost control measures.

CHAPTER 4

PROBLEMS AND CAUSES OF COST CONTROL IN X PHARMACEUTICAL COMPANY

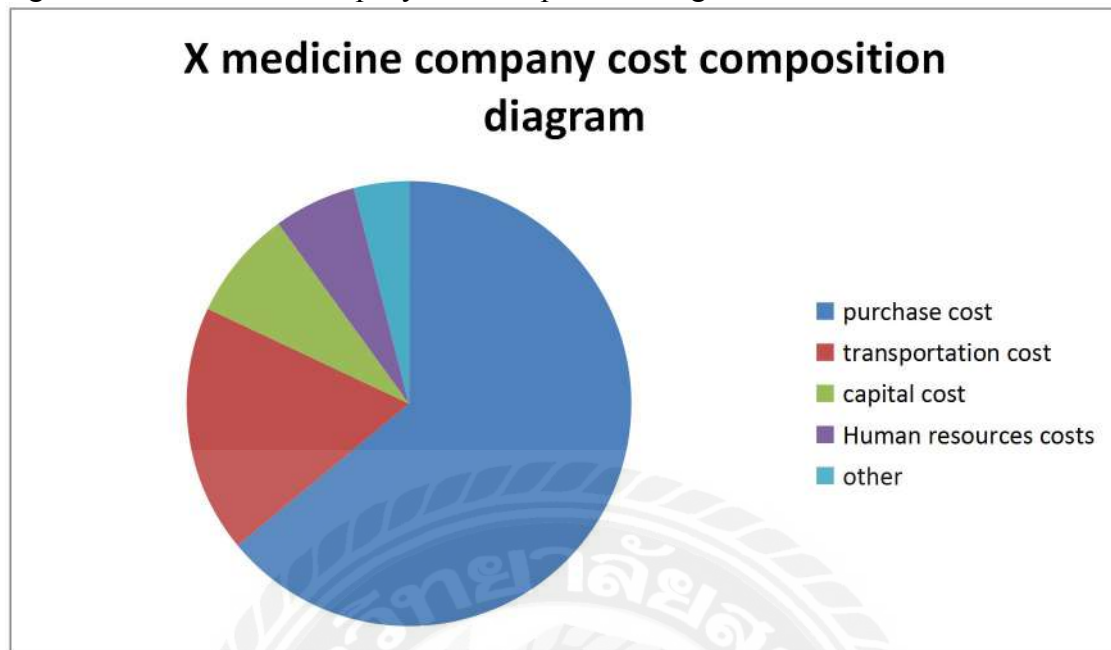
4.1 X Pharmaceutical Company Cost Control Issues

4.1.1 Purchase Cost Control Issues

X Pharmaceutical Company. is not a self-manufactured pharmaceutical company. All medicines require the Procurement Department to purchase in advance. Therefore, the procurement process is the company's most important cost-saving task. From Figure 4-1, we can see that in 2015 the cost of the company's procurement process accounted for 64% of the company's total cost, and there is still an upward trend. The rise in the cost of procurement has not only led to a serious phenomenon of capital occupancy, but has also had a direct impact on the price of products and the profits of the company. X pharmaceutical company's current procurement system is not sound enough, the procurement method is not scientific enough, and the procurement system is not strict enough. And at present, the company's management of the procurement process, the purchase price is only audited by the financial department. Because the finance department is not a direct purchasing department, it is inaccurate for details of the procurement, information on the supply company and market changes. Therefore, the review is not scientific enough and perfect. The company currently purchases products mainly from supporting companies and original customers. It did not review the original customers, did not incorporate market changes, and made new replacements in a timely manner. It did not find products with a real price advantage, resulting in a single product and lack of products. , causing costly waste.

X Pharmaceutical Company. is still a traditional supply system. Products originate from suppliers at the beginning of the establishment of the company. Although the cooperation relationship is stable, the market is changing rapidly. The immutable supply system is not in line with the development of the market, so it is urgently established. New supplier partners, establish a new supplier system, make full use of competition mechanisms, choose to provide the best quality, affordable products supplier. At present, the procurement department has not formed the habit of consciously saving costs. It is considered that the cost control is the work of the Finance Department and has no connection with the Purchasing Department. In addition, the company does not have a clear system of cost control and no penalty mechanism, which creates a sense of irrelevance. These factors lead to the high cost of procurement.

Figure 4-1 X medicine company cost composition diagram

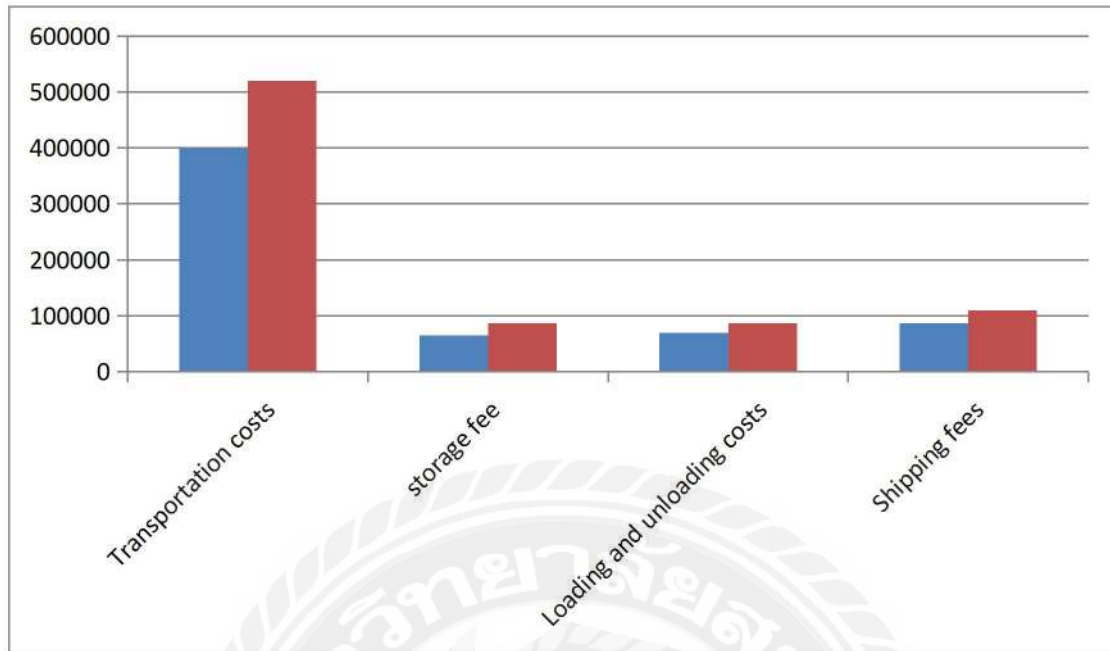


4.1.2 Transportation, Storage, Handling, Distribution Cost Control Problems

X Pharmaceutical Company. Most of the transportation methods are automobile transportation, and transportation costs are extremely high. Judging from the external environment, the oil price is unstable, and the increase in expressway tolls and bridge tolls has increased transportation costs. From the analysis of the company itself, the waste of transportation resources is rather serious. Often due to unclear consultations between companies and customers or inadequate coordination of departments, the phenomenon of roundabout transport and even repeated transportation is serious. This undoubtedly greatly increases transportation costs. As shown in Figure 4-2, we can see that the transportation fee in 2014 was 400,000RMB, and in 2015 it has risen to 520,000 RMB, an increase of 30%. In addition, during the process of product distribution, distribution, loading, and delivery, the management of fees for loading and unloading costs, storage fees, distribution fees, and personnel wages is incomplete, and these costs result in high costs for transportation, warehousing, handling, and distribution.

As a logistics, system can be considered as an industrial enterprise, territorial production complex, and commercial enterprise. The purpose of the logistics system delivery of goods and products in a given place, in the right quantity and variety, as much as possible prepared for production or personal consumption for a given level of costs. Logistics system - a relatively stable set of links (structural / functional units of the company, as well as suppliers, customers and logistics intermediaries), interconnected and integrated unified management of the corporate strategy of business organization.

Figure 4-2 X medicine company transportation cost chart



4.1.3 The problem of capital cost control

In the process of fund settlement, most customers of X Pharmaceutical can pay on time during the contract period. However, there was a gap between the times before and after the payment and the interruption of the capital chain caused the phenomenon that the purchase price could not be recovered in time. In addition, during the sales process, part of the stock of goods was held down in the warehouse, resulting in the occupation of funds. In 2015, the average inventory balance of the company was 3 million RMB. In addition, the company's investment promotion department operates in the form of a provincial agency. The superior is major pharmaceutical company, and the downstream is distributor. The occupation of funds will lead to the circulation of funds and poor turnover, which will easily lead to increased costs in all aspects. In order to ensure the normal operation of the company and the capital chain continues, external financing (bank loans) is used to allow the company to operate normally.

4.1.4 Human Resource Cost Control Issues

As labor costs increase year by year, staff salaries also increase, and social insurance costs must increase at the same time. In 2014, the labor cost was 2.16 million RMB, and in 2015 it was 2.4 million RMB. In 2015, it increased by 11% compared with 2014. The significant increase in operating expenses was caused by the increase in travel expenses of salespersons. In 2015, the annual increase in travel subsidies was 30 RMB per person compared with 2014, and the annual increase in costs was 200,000 RMB. In addition, in order to improve the enthusiasm of the salesman, the company also invests commercial insurance for the salesperson according to the working ability. This undoubtedly increases the company's operating costs and ensures that the company can reasonably control the

company's operating expenses under the normal operation of the company. The company urgently needs to solve the problem.

Calculating each of these tasks and relating them to a cost factor in relation to a company operating budget is how we should determine the cost of HR. However, what is more difficult to determine are the costs related to answering employee questions, handling management issues and The viability strategic partnerships with managers and employees. The real problem lies in the fact that none of these activities actually makes a dime for the company. Having little visible revenue generating potential. From a business perspective it is an expense item not a revenue generator and must be controlled.

4.2 Causes of Cost Control Problems in X Pharmaceuticals Company

X pharmaceutical company's current procurement system is not sound, the procurement method is not scientific, the procurement system is not strict enough, transportation, warehousing, loading and unloading, distribution costs management is not perfect, capital costs and manpower costs continue to rise, resulting in the cost control of the X pharmaceutical company above There are many influencing factors, but the main reasons for this are as follows:

4.2.1 The system of cost control responsibility is not perfect

Cost management has a comprehensive principle, so each production and business activity will have an impact on the cost of the company. In order to achieve the target cost control, the cost control responsibility system should be applied to every link, every task, every production and management element, and every department of a company. Strive to fully cover all participants. At the same time, every business activity should have a responsible person. When problems arise, the person directly responsible can be identified in a timely manner, and the mistakes can be identified and resolved quickly. The problem of the cost control responsibility system of X Pharmaceutical Company. Mainly includes the following two aspects:

(1) Although X Pharmaceutical has initially established a cost control responsibility system, the cost control liability system is not perfect. The company's current main cost management department is the Finance Department, and other departments cooperate with the Finance Department. Did not achieve cost control indicators and requirements for each department, did not achieve full participation in cost control, and did not explain the responsible person, the idea of cost control is only an exaggeration and it is not implemented in every department, every employee, every business activity. Even if there are cost control methods and theories, there is no theory linked to reality.

(2) X Pharmaceutical Company did not adopt the value chain theory and cost driver analysis theory in the modern cost control method, so the cost control target cannot be

determined. The cost control of two important aspects of procurement and transportation did not attach importance to, did not establish a procurement system, there is no reasonable procurement methods, resulting in no decline in the purchase price; ignore the cost control of human resources, With the expansion of the company's scale, the team of employees is also growing. However, the company did not provide timely training for newly recruited employees. The company's old employees did not publicize the company's cost control concept. The job division is not clear. Many people are doing such a waste of human resources. Less training for employees and unclear employee incentive mechanisms all result in insignificant cost control. X Pharmaceuticals Company did not establish a complete cost control responsibility system and further improvement was needed.

4.2.2 Inadequate cost control supervision

The improvement of the cost control responsibility system, if there is no guarantee of the supervision mechanism, is empty talk. At present, X Medicine Company has incomplete measures of cost control measures and performance evaluation. No specific department or person evaluates and supervises the performance and indicators of cost control. After the establishment of the cost control responsibility system, it is necessary to clarify the responsibilities of each department, evaluate the current status of cost control in each department, evaluate the cost control issues, and finally form an assessment report. In conjunction with the assessment report, a reward and punishment mechanism should be established to achieve remarkable results in cost control. Only by doing so can we fundamentally make the entire company realistically improve the cost control mechanism. The lack of a regulatory mechanism has led to an inconspicuous effect of cost control. This is an important reason why the establishment of a cost control accountability system still fails to improve the effectiveness of cost control.

4.2.3 Awareness of employee cost control is weak

X pharmaceutical company more than 10 years of development history, the profitability is better, have not experienced a period of poor efficiency, employees are in the status quo, do not seek change in stability, staff awareness of the crisis is weak. The company's camp is in a stable condition with excellent employee benefits. No matter how high or low the work efficiency is, the employees receive the same income. As a result, employees believe that cost control is a matter of leadership, and they are not related to their own interests. Cost control awareness is weak and results in cost control not obvious.

The Procurement Department only considers whether the quality and the lowest price of the product meet the company's specifications when purchasing, ignoring the cost of the product, and ignoring whether the product will bring profit to the company; The

sales department is very concerned about the sales channel and market coverage, ignoring the cost of sales, especially during business trips, eating and drinking, and spending irrelevant to the company also get reimbursed; The cost control of the warehouse department, human resources department, etc. is considered even less. It is considered that the cost control is the work of the financial department, and the profit or loss has nothing to do with other departments, causing the X medicine company to urgently want to control the cost, but in the implementation process However, it hindered. The financial department cannot control all the company's production and business activities from time to time, nor can it control every department unit. The Finance Department only acts as a leader and supervisor of cost control and co-ordinates all departments to control costs.

The total cost of the company's costs is derived from each department and each position, so the cost control is also the responsibility of each department. This requires all departments to work together to complete the task of controlling costs, and give full play to the team spirit of each department unit. . The completion of cost control is inseparable from the immediate interests of every employee. Only the full participation of the staff, all the staff consciously controls the cost, then each post and department can also be an effective cost controller. Only when all employees participate in the cost control of the business process, can we fundamentally implement cost control management and achieve the best results.

4.3 Summary of this chapter

This chapter describes the main problems and causes of X pharmaceutical company. The four major problems in the cost control of the company, especially the cost of the procurement and transportation, are not paid attention to. These two links account for a large proportion of the total cost of the company and play an important role in the level of the cost control of the company. Due to the non-standard coordination, the problem of overstocking of goods and funds in the sales process is relatively large, resulting in a low level of capital cost control; changes in the market environment, the traditional cost control methods can no longer meet the requirements of the company; employee cost control awareness Weakness leads to low cost control efficiency; the cost control responsibility system is not perfect, and lack of supervision mechanism guarantee.

CHAPTER 5

THE COUNTERMEASURES OF COST CONTROL OF X PHARMACEUTICAL COMPANY

The strategic goal of X Pharmaceuticals is to double its sales revenue within the next three years. In order to achieve strategic development, it is urgently necessary to implement cost control in a comprehensive and efficient manner. In order to achieve high efficiency in company cost control, first of all, we should use advanced cost control methods to find the main sources of influence on company costs and determine the object of cost control. We must fully consider the company's actual operations, establish a sound product cost target system, and strive to control costs. Full implementation in every aspect of the company will ultimately solve the cost control problem of X Pharmaceuticals Company.

5.1 Establishing a Target Cost System

In the production and business activities, the current cost control of enterprises is based on the fixed cost method and neglects the target cost method. The target cost method is a method that is in line with the actual development status of X Pharmaceuticals. This method is also more valuable than the current fixed cost method used by the company. The establishment of a target cost system by X Pharmaceuticals is also conducive to improving the effectiveness of the company's cost control. This method is based on the principle of target cost and combines the actual development strategy of X Pharmaceuticals, which is more conducive to the sustainable development of the company. The target cost method is to calculate the difference between the target cost and the actual cost, and to make a strict budget for the difference, effective control and supervision. Use effective means to minimize the occurrence of unfavorable balances, optimize business operations to minimize the difference, and reduce unnecessary costs in the company's operations and management activities. The method of controlling the actual cost of the enterprise in the target cost range.

5.1.1 Establish product target costs

5.1.1.1 Set the target price of the product

There are various kinds of pharmaceutical products sold by X Pharmaceuticals in the pharmaceutical market. Therefore, the market competition is fierce, and the products have more stable customers in the market. When formulating the target selling price of products, there are three questions to consider:

(1) Consider the needs of different regions. No matter whether it is hospitals at different levels, other pharmaceutical companies or pharmaceutical retailers, they all want to purchase at the lowest cost. However, the level of economic development varies from region to region, and there is also a difference in the demand for efficacy and quality of

medicines. Therefore, pharmaceutical companies should meet the demand. Determine the supply, specific analysis of the specific circumstances, combined with differences in the situation around the use of differential pricing methods.

(2) Consider the price of drugs from competitors in the same industry. In today's fierce pharmaceutical competition environment, some need to understand in real time the advantages and disadvantages of competitors in the industry compared with the company, and conduct comparatively comprehensive research on the company's pricing. Therefore, X Pharmaceuticals must grasp the real key information of its adversaries in advance to serve the decision. Our pricing can't be much higher than similar products, can't violate the laws of the market, blindly reduce the price, therefore, considering the price of competitors in the same industry under the premise of market dynamics, timely adjustment of the price.

(3) Consider the product purchase price. X Pharmaceuticals, a representative of distribution companies, is only responsible for sales and cannot produce drugs without authorization. You can only obtain products by purchasing medicines. Therefore, in formulating the target price, it is necessary to fully consider the purchase price and consider the cost input during the purchase process.

5.1.1.2 Establish Product Target Profit

The significant increase in profits and total sales in the coming years is a short-term goal of X Pharmaceuticals. Therefore, the business activities of X Pharmaceuticals must be based on complete product target profits. The higher profit targets are achieved through the sale of high-end products by the company. Appropriately reduce target profit of low-end products and try to control within 6 percentage points. The development of a reasonable product target profit will help improve the company's competitive advantage, thereby increasing the company's operating income and market coverage.

5.1.1.3 Develop product target costs

The difference between the target selling price and the target profit constitutes the target cost. X Pharmaceutical Company, as a pharmaceutical sales company, combines the company's upstream purchase price with the determined target price, and ultimately sets the target profit, and considers the company's cost composition as a whole. In order to determine the target cost.

5.1.2 Implementation Target Cost Control

(1) Calculate the cost gap. The marketing department, finance department, procurement department and other departments perform cost gap accounting at the

various levels under the direction of company leaders. Under the current market economy, the difference between the target cost and the actual cost is calculated, and guided by the theory of value chain and cost drivers. Ultimately, all organizational departments and all employees complete cost control objectives.

(2) Target cost dismantling. The total target cost is dismantled, and the various combined costs after dismantling are summarized and analyzed one by one. Corresponding measures and implementation plans are formulated for different cost elements, and finally the cost control effectiveness of each department is improved.

(3) After the follow-up investigation. Follow-up investigations are carried out after the implementation of the target cost control, before determining the target cost and product target price. It mainly investigates the following: Examines in advance whether other competitors' expected behavior is consistent with current behavior, whether adjusting the target selling price affects the achievement of the target cost and whether it affects the achievement of the target cost. Post-mortem tracking can make full use of the role of the market mechanism and make timely adjustments to the target cost as the external environment changes.

5.2 Improve procurement process cost control

Procurement activities are an important activity of X Pharmaceuticals Company, improving the cost control of the procurement process and directly increasing the profits of the company. Products, company office supplies, fuel and other foreign purchases are the main forms of procurement activities. X medicine public can be used as a commodity circulation company. The procurement link is the logistics point of the company. The purchase price and purchasing time of the procurement time together becomes a comprehensive indicator of the purchase value. The satisfaction of the purchase value is in addition to the demand of the purchase buyer is the satisfaction of the purchase the measure of the goal. In order to make the cost of procurement evident, the following aspects must be achieved:

5.2.1 Improve the basic work of purchasing cost control

X Pharmaceuticals Company has a wide range of operations. In order to prevent the behavior of gray transactions, it should have a sound procurement system and a standardized procurement process. This paper believes that perfecting the company's procurement system mainly includes:

(1) Establish a strict procurement system. Responsibility should be refined to every procurement process, and the efficiency of procurement should be ensured. This will help standardize company procurement activities and control procurement costs. The effective

prevention of inappropriate situations in the procurement process ensures that the interests of the company are not harmed. The procurement system includes the criteria for applying for procurement, authorization of the identity and rights of the purchaser, the price of the quoted price of the purchased product and the price of the final transaction, Establish criteria for departmental rights guidelines (guidelines for departments related to the purchasing department) and other details related to procurement. For example, unified management of suppliers and quotations, to verify the phenomenon of unprovoked high prices in the procurement process, the accounting department to calculate the purchase price, to the audit department for approval, Establish a comprehensive procurement system for the company and ensure that the system is effectively implemented at all stages of procurement.

(2) Establish supplier files and access systems. The supplier is the object that the purchase directly faces, and the supplier's selling price decides the purchase cost of the enterprise. Therefore, the enterprise with good reputation in the record and the number of cooperation in the real-time record should perform all kinds of information for the filed enterprise. Detailed records, can't ignore any supplier information, and supplier files to do every month to verify and update, and strive to grasp the latest first-hand information. The supplier access system is a necessary condition for guaranteeing the quality of suppliers. This requires all departments of the company (especially the purchasing department) to carry out the assessment of suppliers in a cooperative manner, and to approve those with high quality and low price for filing and establish a long-term cooperation relationship.

(3) Establish price file and price evaluation system. The establishment of a detailed price file mainly focuses on the company's main merchandise and commonly used materials, so that before each purchase, the previous price file is referenced. Based on the current actual market dynamics, the approximate price of the product can be easily determined. To a certain extent, it prevents the company from wasting a lot of unnecessary procurement costs. For some key procurement products, the company should establish a price evaluation system, and the company's relevant departments form an assessment team to conduct evaluations, collect supply price information and aggregate analysis, forecast current price levels, forecast future price trends, it Update the price of the archive at any time.

(4) Establish the standard purchase price of materials. The company provides the standard purchase price based on the previous price file, supplier profile, and market dynamics, which is set by the finance department before the quarterly procurement activity. The purchaser uses the standard purchase price as a reference to seek a better price. At the same time, establish a corresponding reward and punishment mechanism to encourage those who are lower than the standard purchase price, and according to the extent of reduction to give corresponding incentives, and vice versa to punish those who

are higher than the standard purchase price, also according to the extent of promotion given the corresponding punishment. Such a clear and rewarding mechanism can greatly mobilize the enthusiasm of the procurement staff and ultimately reduce the company's procurement costs.

(5) In accordance with the principles of the system approach, any system must first examine the relationship with the external environment, only in its internal structure. The principle of consistent progress should be achieved at the stage of creating the system to insist on designing the logistics information system. Information systems should be considered functionally and organizationally. The functional structure can be represented in the form of a pyramid on the basis of the pyramid functional logistics information. The system is a trading system between the logistics systems and determines the relationship between the company's functional departments.

5.2.2 Reducing Purchase Costs

Procurement standards rank quality as a top priority, with the first option being price. The product must meet the manager's requirements, and the purchaser will then process the best price according to the intended quality. They will try their best to get the best price with the best quality. Purchasing personnel will try their best to strike a balance between price and quality, but “quality is the most important”.

(1) Change the payment method. Change the traditional way which they buy something on account, because this way can't win larger price concessions. When the company's funds are abundant, it can be paid in one lump sum or in direct cash settlement.

(2) Grasp the timing of price changes. The price is not static, and the price will change with changes in market supply and demand, climate, seasons and other factors. This is a test for the procurement personnel. The procurement personnel must accurately grasp the changes in the market environment and the nature of the procurement, in the most appropriate Opportunity to obtain the most favorable price concessions at the lowest purchase price.

(3) Change the supplier's selection method. Establishing a fair competition environment and selecting the most suitable supplier through tendering can not only select the best supplier, but also increase the intensity of competition among suppliers. Ultimately, the company must be the biggest beneficiary.

(4) Purchase directly from manufacturers. If the company can purchase from the manufacturer directly from the dealer when purchasing, it will save the middle dealership and save the profits earned by the seller, which undoubtedly reduces the purchase cost. Dialogue with manufacturers directly can also provide better communication

opportunities, better technical services and after-sales services.

(5) Choose a supplier with good reputation and sign a long-term contract with it. Enterprises should look for suppliers with similar brand reputation and high reputation. This will ensure product quality and ensure consumers' rights and interests. For the company itself, cooperation with reputable suppliers can also save a lot of unpleasant links and improve service efficiency. If we can maintain long-term and stable cooperation with such suppliers, we can get more preferential treatment.

(6) Survey the procurement market and collect information. Only by fully accessing the various procurement information of the market can we fully understand the trend of the market and the price, so as to formulate a sound procurement strategy to make this company in a powerful position for price, for which X Pharmaceuticals has specially set up personnel to conduct research. Periodically form a research report for reference.

5.3 Strengthen Transportation, Storage, Handling, Distribution Cost Control

In order to optimize the results of external and internal impact assessments, the corporate environment must use critical information sources in the monitoring subsystem for the logistics system's logistics manager's behavior. Aspects to consider. First, use the company's information staff to assess the effectiveness of its logistics solutions. For example, financial information or the price of a competitor's finished product can provide comprehensive answers to the effectiveness of the management; the company's transportation department can use information about the size of the goods. Second, the logistics partners of the company, such as material resource suppliers, distributors, operators, and partners, finished products can also use the information subsystem to improve the joint role, coordinate and reduce their own costs. The original important place was to predict its baseline data collection and use the most effective forecasting methods.

5.3.1 Transportation Cost Control

The company's procurement, sales and other business activities are inseparable from the logistics support and protection, so transport plays an important role in the X pharmaceutical companies. In order to achieve optimal transport cost control, the company's logistics administration department should investigate some of the transportation-related costs (such as unit costs, motor vehicle costs, etc.) and conduct integration and analysis. The specific transportation tasks should be analyzed in detail, the optimal route selection, the use of specific vehicles, and the choice of load limits should be analyzed. Finally, a weekly sample transportation plan should be established. Based on the mathematical analysis method, the transportation cost is combined with the transportation plan, and the cost savings are maximized on the premise of accomplishing

the goal. To achieve the optimal vehicle scheduling program, the most reasonable vehicle scheduling time, the largest load and the most complete transportation route. Between production and transportation, transportation and consumers should always persevere in their age-appropriate facilities, aiming to eliminate unbalanced production, consumption and production cycle of various transport operations. In this regard, the material flow from the producers and consumers' logistics chains must be included in the overall promotion of networks with different storage systems.

5.3.2 Storage Cost Control

To improve warehousing cost control, there must be a sound system guarantee. The logistics administration department and the financial department jointly implement and strictly monitor the storage, acceptance and accounting. Accurately calculate the difference between the actual cost of warehousing and the target cost, and control each activity within the target cost. In the premise of determining the target cost, we must also increase the mechanization rate of storage and improve work efficiency. We must use modern network systems to establish cash bar code identification systems and automated machinery platforms, reduce the workload of workers in warehousing, minimize human error, and reduce labor at the same time. In addition, warehouses should not be considered in isolation, but should be considered as an integral part of the supply chain. Only such a method can ensure the successful implementation of the basic functions of the warehouse and a high level of profitability.

5.3.3 Loading and unloading cost control

Due to the different nature of goods, the equipment and methods of loading and unloading will change. The use of a reasonable loading and unloading scheme enables the orderly circulation of goods, avoiding unnecessary damage and causing losses to the company. For this reason, X Pharmaceuticals will improve the loading and unloading transport efficiency as its destination, effectively plan loading and unloading operations, eliminate the occurrence of invalid transport, and take effective measures to prevent the occurrence of product damage. Concentrated efforts will be made to adjust the transportation from fragmentation to intensification to improve the transportation efficiency.

5.3.4 Distribution cost control

The distribution cost control mainly involves many aspects, including the selection of the location in the distribution, the preferred distribution method and the distribution route, the reasonable labor costs for the distribution staff, and other management costs related to the goods. Therefore, according to the analysis and research issues of the above-mentioned control content and seeking truth from facts, the leadership team

formulated targeted distribution strategies, implemented each distribution link, and improved the management level of distribution.

5.4 Perfecting the control of capital cost

5.4.1 Strict control of payment recovery

The majority of X Pharmaceuticals Company funds are in the operation of upstream companies and downstream hospitals. This part of the funds is an important part of corporate assets. If the purchase price is not recovered in time, it will have a significant adverse impact on the normal operation of the company. The auditing department of the financial department jointly compared the purchase prices one by one, reducing the incidence of non-performing loans. At the same time, establish an orderly rewards and penalties mechanism to reward employees with outstanding loan recovery, and to punish employees who have collected more bad loans, which is conducive to the improvement of employees' work efficiency.

5.4.2 Strictly Controlling Product Funding

As a distribution company X Pharmaceutical Company. has a considerable amount of funds for the backlog of products. The backlog of product funds has increased the company's operational risk. In order to allow this part of the capital to be controlled within the ideal range, the sales department and the finance department are required to conduct comprehensive control in conjunction with the user's needs and the transportation costs of the product to formulate detailed inventory plans, minimize risks, and establish strict Reward punishment system to ensure the smooth implementation of this control.

5.5 Strengthen Human Resource Cost Control

The human resources costs of X Pharmaceuticals are mainly reflected in the employees' salaries and bonuses, and the training fees required for the skills. X pharmaceutical companies are growing in size, the number of employees is also rising, and the cost of human resources will inevitably increase, which cannot be ignored. In order to achieve the long-term development of the company and achieve effective control over the cost of human resources, the most important thing is to improve the efficiency of the employees and keep the employees' salary bonuses and training costs increasing. Instead of blindly lowering employee wages, employees training costs are reduced. The company mainly implements human resource cost control from detailed salary standards and strict employee system.

5.5.1 Formulate salary standards and distribution system

Make the appropriate salary standard in time. On the one hand: domestic economic

inflation, prices rose significantly compared with last year. Only by increasing the amount of wages can we meet past needs and ensure the stability of employees' lives and mentality. On the other hand, considering the needs of employees, we must also consider the company's cost-receiving ability, and we must not blindly raise the wage standard. Organizational professional evaluation assesses the growth of the company's operating scale and the growth of company profits to obtain professional data to form a professional evaluation report. In combination with the company's current operating conditions and previous reference data, determine the salary standards for each position. The long-term development of the company should be considered in the process of formulating the salary index, and considering the company's target cost, profit cost, and sales income wage standards for the employees.

5.5.2 Strict staffing

X Pharmaceuticals currently belongs to medium-sized companies and must strictly examine the number of company managers and temporary support personnel. When the actual requirement is less than the number of personnel in the staff, on the one hand, it will have an adverse effect on the company. Not conducive to the improvement of management level, is not conducive to the improvement of employee enthusiasm, on the other hand, will increase the company's wages and benefits of cost expenditures, beyond the company's cost acceptance ability, is not conducive to the company's long-term development. In this regard, the human resources department must do a good job in the market investigation of the previous period to determine the number of reasonable company managers and auxiliary personnel, strictly control the entry of new employees, and improve the management efficiency of the company while controlling costs.

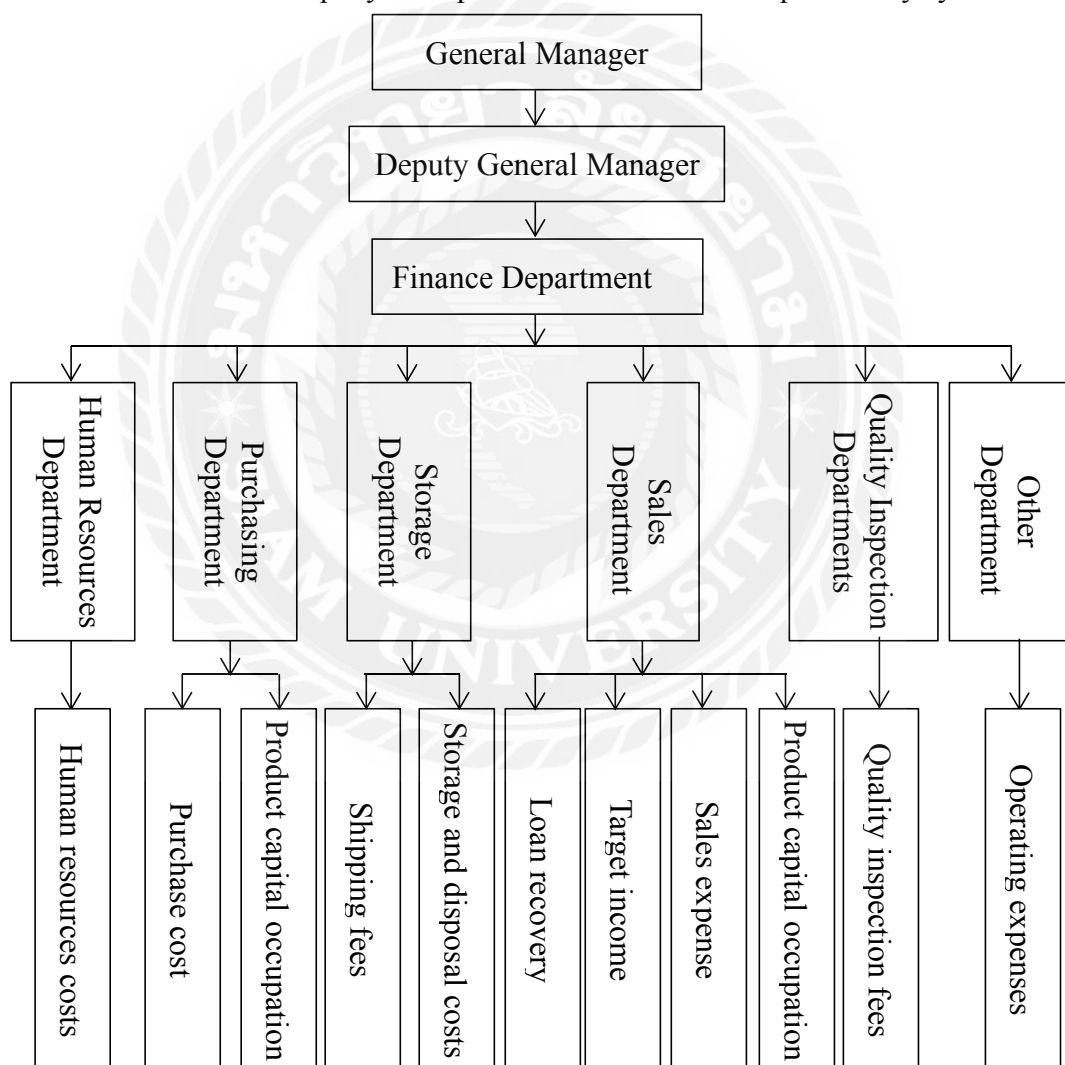
5.6 Improve Cost Control Responsibility

After years of development and growth, the current cost control responsibility system has been initially established in X Pharmaceuticals. Now that this system is not perfect, it is urgent and necessary to improve the system and overcome the problems existing in the system. On the basis of cost driver analysis and value chain analysis, it is imperative to improve the cost control responsibility system of X Pharmaceuticals. Clear division of labor and clear responsibilities are the basic requirements of the cost control responsibility system. It is obvious that a dedicated department is responsible for specific cost control tasks. From Figure 5-1 you can draw:

The general manager of the company is the primary responsible person for the company's product cost control, and allocates the cost control work to each department. The deputy general manager of the company is the assistant to the general manager and helps the general manager to coordinate the cost control work; The Finance Department is the company's comprehensive management department. It not only manages to lead the main responsible persons of various functional departments, but also actively takes charge

of the cost control work of the department. The quality inspection department mainly controls the quality cost; The main control aspects of the sales department are whether the payment proceeds in time for the recovery of the standard income, whether the target income is up to standard, whether the surplus of finished product funds is used, and whether the sales cost is excessive or not. The human resources department is mainly responsible for the cost control related to human resources; The Purchasing Department is mainly responsible for the cost control of procurement, especially the control of the material's own possession. The warehousing department is responsible for the cost control that occurs during the storage of the goods, which mainly includes warehouse rental fees, delivery charges, and handling costs.

Figure 5-1 X Medicine Company to improve the cost control responsibility system

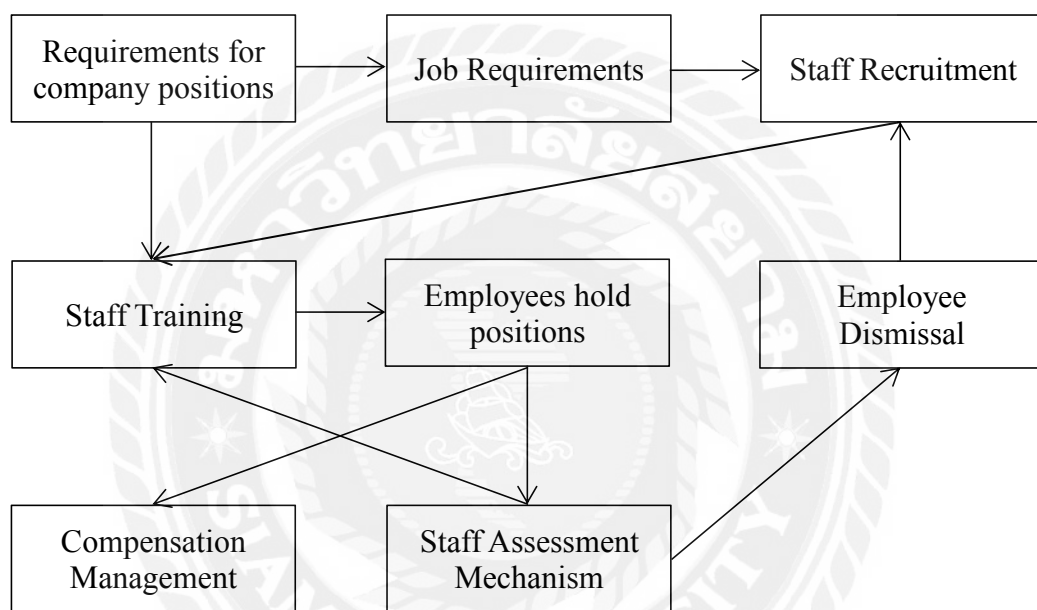


5.7 Strengthening Supervision and Management Mechanism

In order to make the cost control responsibility system more standardized, it is inseparable from the guarantee of the cost control supervision system and system. The

general manager will coordinate the leadership of various departments, clarify the responsibilities and obligations of the various authorities, and raise employees' awareness of cost control, as shown in Figure 5-2. We can see that X Pharmaceutical Company. conducts regular assessments and inspections on cost control objects and that each department must also restrict each other. Based on salary management, incentive measures are adopted to reward well-performed cost control and to fully mobilize the initiative of employees. Conversely, if cost control is not effective, criticism and education are conducted in a timely manner, and the cost control effect is severely substandard. Employee will be dismissed.

Figure 5-2 X Medicine Company human resource management flow chart



5.8 Improving employees' awareness of cost control

Improve employees' awareness of cost control and fundamentally improve employees' initiative to save costs. X Medicines has a low level of cost control, neglects the construction of corporate culture, lacks awareness of cost control, and believes that cost control is the task of leadership. Employees do not realize that their own interests are closely related to the level of company's cost control. To this end, we should adhere to the principle of comprehensive coverage, strengthen the ideological awareness of all employees, and eliminate the indifferent attitude of cost control, so that the cost control theory enjoys popular support. This article proposes the following to raise employees' awareness of cost control:

(1) Theoretical education. Regular lectures, lectures and other activities to promote the company's cost control concept. Each quarter, we conduct training and education (especially for newly recruited employees), communicate the company's cost control concept, direction, and regulatory requirements to the employees, and develop the habit

of conscious cost-saving. Enable employees to truly participate in the company's business activities and coexist with the company's interests.

(2) Reward system. Periodically summarize and integrate the cost control work of each department. According to the company's reward and punishment system, analyze and evaluate the amount of employees' cost control indicators completed. Each employee's income is linked to cost control. Each employee actively integrates into the cost control work to increase the employee's initiative and self-consciousness in cost control.

Improve the awareness of cost control for all employees, and shift the cost control work from “must do” to “consciously do it”. Through a good corporate culture atmosphere and the improvement of employees’ awareness of cost control, employees’ subjective initiative will be improved, and cost savings will be taken at all times. You own job to complete. This can ensure the far-reaching development of cost control of X Pharmaceuticals, and ultimately increase the company's core competitiveness.

5.9 Summary of this chapter

This chapter presents the corresponding specific solutions based on the cost control issues of X Pharmaceuticals. First of all, establish a target cost system, determine the target cost as the standard system for cost control of the X pharmaceutical company, and determine the key research objects of cost control of the X pharmaceutical company. Finally, in combination with the actual operating activities of X Pharmaceuticals and the influencing factors of costs, a cost control strategy for the company's daily business activities, such as procurement costs, capital occupation costs, and transportation costs, is formulated. This paper proposes that while implementing the solutions to these problems, it is necessary to improve the cost control responsibility system, increase supervision, and raise employees' awareness of cost control.

CHAPTER 6

RESEARCH CONCLUSIONS AND PROSPECTS

6.1 Research conclusions

Through the study of this paper, the following conclusions are drawn:

(1) Cost control is the only way for private pharmaceutical companies to increase their market competitiveness. In order to meet the needs of today's economic and social development, we must raise the level of cost control, which is also an effective way to improve the existing extensive cost control model.

(2) There are many problems in the cost control of X Pharmaceuticals. Among them, the procurement system is not perfect, the procurement method is not scientific enough, and the procurement system is not strict enough, the transportation cost is too high, the capital occupancy phenomenon is serious, the human resource costs are rising, the cost control responsibility system is not perfect, the cost control supervision is not enough, and the staff cost control awareness Problems such as weakness are the main factors.

(3) Based on the public cost control of X medicine, eight implementation countermeasures were proposed. Establish a target cost system and use the target cost as the standard for company cost control. In the procurement process, it is necessary to establish a strict procurement system, establish supplier files, and choose a reasonable procurement method. In the areas of transportation, storage, handling, and distribution, coordination and cooperation between various departments should be unified to improve efficiency. In sales and service, sales personnel training should be strengthened, strict reimbursement system should be established, and capital occupation should be strictly controlled. In the management of human resources, it is necessary to establish wage standards and a reasonable distribution system, and strictly stipulate staffing. The company needs to improve its cost control responsibility system. Each department should coordinate with each other so that cost control work can be implemented in each department. Strengthen the supervision and management mechanism to raise employees' awareness of cost control.

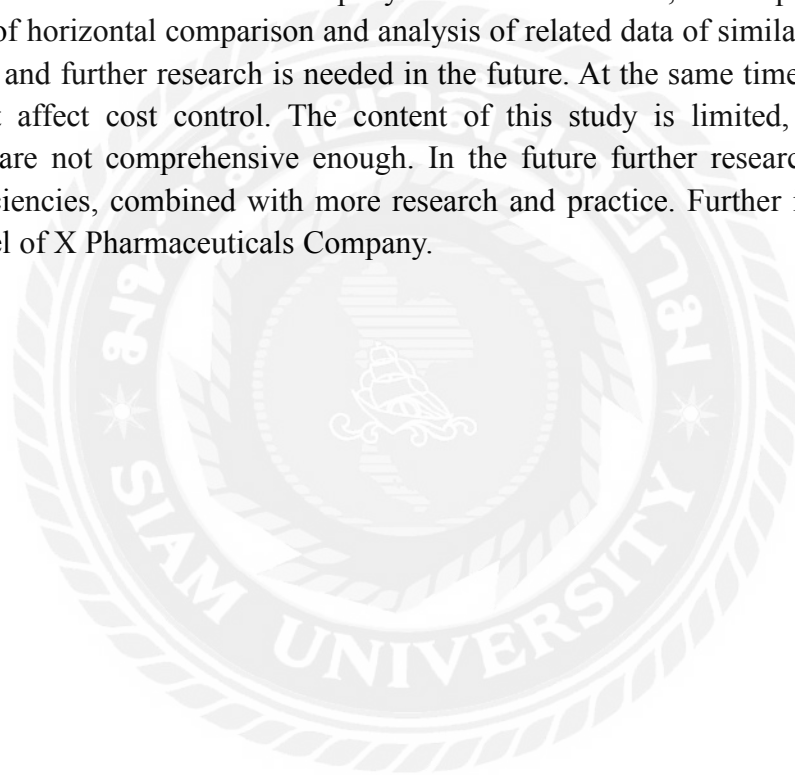
Principal conclusions of the study were defined by the participating . They are conscious of their public responsibility with respect to pharmaceutical costs, but highlight the need to spread responsibility for cost control among the different actors of the health system. They insist on implementing measures to improve the quality of prescriptions, avoiding mere quantitative evaluations of prescription costs. They also suggest moving towards the self-management of the pharmaceutical budget by each HC itself, as a means to design personalized incentives to improve their outcomes. Finally, it was concluded that this plan is the only way to pre-empt the feelings of injustice, impotence, frustration and lack of motivation that currently exist among GPs as a result of the implemented

measures.

The cost control measures proposed in the article have certain guiding significance and role for X Pharmaceutical Company. In future cost control, X Pharmaceuticals will further improve the cost control measures, summarize and plan, and promote the successful experience gained in the cost control process to the entire process of company management, so as to obtain a long-term Competitive advantage

6.2 Outlook

The data collection and investigation of the cost control materials and related documents of X Pharmaceutical Company. are still insufficient, and in particular, there is still a lack of horizontal comparison and analysis of related data of similar pharmaceutical companies, and further research is needed in the future. At the same time, there are many factors that affect cost control. The content of this study is limited, and the factors mentioned are not comprehensive enough. In the future further research, based on the above deficiencies, combined with more research and practice. Further increase the cost control level of X Pharmaceuticals Company.



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