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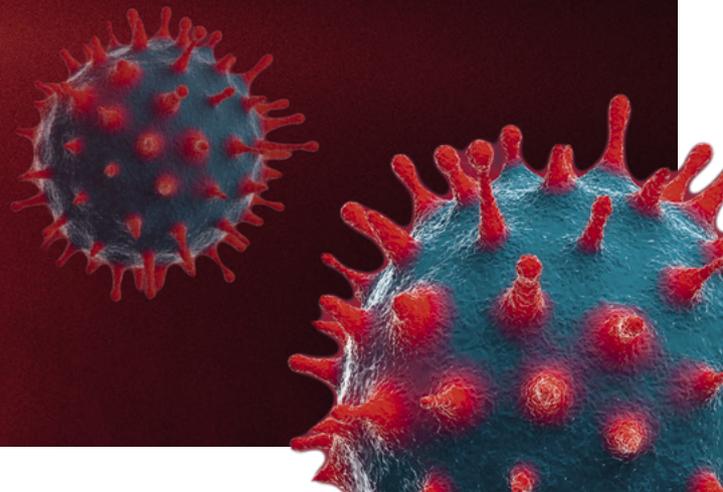
# Cost Management in Times of Crisis – First Results of a Study in 4 Countries

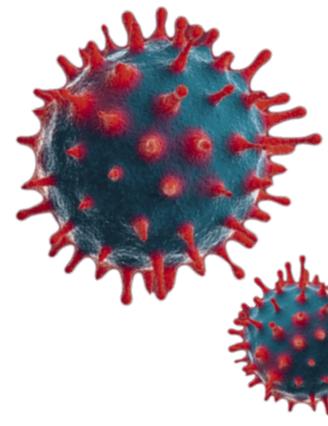
The current coronavirus crisis represents a major challenge for controllers and managers. Uncertainties and the resulting risks concerning politics, markets, and technology and their interplay must be mastered, and sudden drops in sales must be managed. Cost management offers a comprehensive arsenal of instruments and methods that can be used to manage crises.



The study, jointly conducted by four members of the International Group of Controlling (IGC), the Frankfurt School of Finance & Management, the University of St. Gallen, the Joanneum University of Applied Sciences, and the Croatian training company Business Effectiveness, in the DACH region and Croatia, focuses on the analysis of cost management in companies which have been affected by the current crisis.

Data collection took place in the period from March to May 2021 in the form of a standardized online survey. A total of 402 companies, represented by executives and experts from finance and controlling, took part in the study. Of the participating companies, 92 (22.9%) were from Germany, 72 (17.9%) from Austria, and 119 participants (29.6%) each from Switzerland and Croatia.





The study participants are predominantly from the service sector as well as the manufacturing industry. Measured by the number of employees, a clear focus of the sample is on small and medium-sized companies.

## Results at a Glance

The pandemic has prompted many companies to develop their cost management further. This is especially true for large companies (more than 2,000 employees): 40% of these companies took the pandemic as an opportunity to optimize their cost management, while only 24.1% of medium-sized and 21.5% of small enterprises did so. Of these companies, more than 50% were able to improve their cost efficiency according to their own assessment.

One driver of greater cost efficiency is the flexibilization of cost structures. Just under half of the companies have recently worked on changing their cost structure and have minimally increased the share of variable costs on average (from 45% to 46%). However, this prima facie seemingly small change is remarkable against the background of significantly falling sales (-18% on average during the current crisis) and can be attributed to extensive controlling and management activities with regard to the cost structure.

The answers to three key questions on cost efficiency show that cost efficiency was generally increased during the coronavirus crisis and that steady improvements were achieved. However, the answers also show that the efficiency improvements are perceived to be overall relatively moderate and that there is still further potential for optimization:

- ▶ We have managed to continuously reduce our costs in relation to our sales (average agreement 3.22 on a scale from 1 to 5).
- ▶ We have continuously increased our cost efficiency (agreement 3.29).
- ▶ In terms of our cost efficiency, we have managed to improve continuously (agreement 3.29).

An important factor in increasing cost efficiency appears to be a defined cost control: the more companies controlled their costs in precisely defined periodic cycles, the more they were able to continuously increase their cost efficiency.

Another success factor for increasing cost efficiency can be the use of suitable tools at the process, resource, and product level. Dividing the companies into different groups in terms of their performance in cost management, it becomes apparent that companies in the “high-performance cost management” group use modern cost management tools to a high degree. This can be observed, for example, at the process level. “High performers” extensively use such tools as activity-based costing, process benchmarking, or “kaizen costing.”

The innovative tool Robotic Process Automation (RPA) is also used more extensively by these companies than by companies with a less efficient cost management.

The conclusion can be drawn that high-performance cost management with a wide range of approaches, i.e. resource-, process-, or product-related starting points, and several actively used tools, can certainly bring companies competitive advantages, and not only in times of crisis, especially if the cost position is a strategic success factor in the respective market.

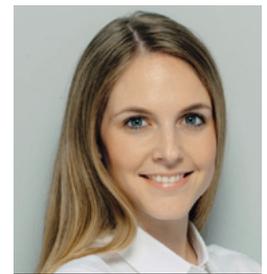
However, successful cost management cannot only be attributed to the use of cost management tools in general but must also be anchored in corporate management. Many companies see the efficient handling of costs as an important management task, and managers exemplify cost-conscious thinking and action. A high level of agreement was found among the participating experts on these aspects.

## Conclusion

This study has shown that many companies already had a distinctive and efficient cost management system in place before the coronavirus crisis. During the crisis, cost management was further optimized. It should be particularly emphasized how important and effective regular cost control is and what positive influence the use of various tools at different levels (process, resources, product, i.e. the objects of proactive cost management according to Franz/Kajüter 2002, p. 13) has on the efficiency of cost management. ■

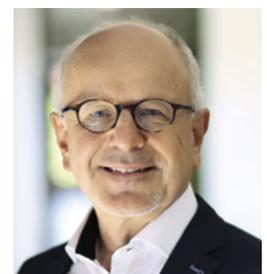
### Literature:

Franz, K.-P., Kajüter, P. (2002). *Proaktives Kostenmanagement*, in: Frank, K.-P., Kajüter, P. (Eds, 2002), *Kostenmanagement*, 2nd edition, Stuttgart 2002



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