EVOLUTION OF THE CONCEPTS OF ENTERPRISE COST MANAGEMENT

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This article examines the evolution of the traditional systems by describing cost allocation methods, cost drivers and their use in decision-making process in the traditional context, application of which for some industries are now criticized by academics. It seeks to establish the links between modern and old practices.

Historically, the emergence of the basic concepts of cost management began in the 19th century. and continues in modern times. At the beginning of the industrial revolution, empirical cost control systems were no longer adequate, as a result of the emergence of factories. It brought about two new problems: the first one is a problem of scale, the other a problem of production which is in the process of becoming “multi&product”. The cost department method, dividing a firm in business units, or full cost method meets such needs in a way which is in keeping with the approach prevailing at the time i.e. the first stage. As it considers organizations as aggregates of entities viewed as gear works or mechanisms (mechanistic aspect), and as it ensures a safe and continuous flow of information in the departments, this method seems to be absolutely exact, which gives those who devised and used it a false sense of security and reliability.

Activity-Based Costing gives great importance to analyze the costs to specify accurately the costs of supplied products or services which enable the decision-makers to take wise pricing decisions. In addition that this system is considered the best one in analyzing and estimating the costs for special objectives.

While extending their capacity to take into account increasingly complex movements, cost control systems succeeded in adapting to less simplistic representations of organizations and in penetrating all of their mechanisms.

Cost control systems could not gain much ground until their own nature had eventually changed and until increased interaction between specific disciplines had been widely accepted. Initially designed strictly as accounting systems (industrial accounting), they now comprise management control, personnel management (hierarchical structures, motivation of the workforce, job definition) as well as organization and they extend to information systems.

Cost management is a dynamic process that involves achieving a high economic performance of an enterprise. A retrospective analysis of the development of cost management concepts suggests that such a management extends to all elements of management rather than reduces costs only. The choice and application of them at the enterprise depends on the strategic goal of the enterprise, competitive positions, material and resource availability.