

Research on Hidden Cost Management of Wenzhou Construction Enterprises

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Abstract: Although the managers of Wenzhou construction companies have a certain understanding of hidden costs, they can only use empirical valuation, low-level and extensive hidden cost control strategies of customary decision-making, which leads to a mere formality of hidden cost control. On the premise of studying the papers of domestic and foreign scholars, this paper proposes measures to control the hidden costs at this stage in view of the main influencing factors, including: optimizing the construction method, rationally arranging the construction schedule, setting up a reasonable project organization form, and strengthening subcontracting management , Information communication management, etc., provide a brand new concept and control idea for Wenzhou construction enterprises to carry out cost control.

Keywords: Construction enterprise, Hidden cost.

1. INTRODUCTION

According to the statistical bulletin of Wenzhou's national economic and social development in 2019, the added value of Wenzhou's construction industry in 2019 is 50.24 billion yuan, with a total output value of 249.623 billion yuan, which is equivalent to the total output value of Enterprises above the scale of electric, pump valve and automobile and motorcycle parts, accounting for 7.6% of the city's GDP, and is an important component of Wenzhou's economic and social development [1]. Wenzhou municipal government is very concerned about the healthy development of the local construction industry. Since 2016, Wenzhou City has incorporated the development indicators of the construction industry into the assessment content of each county (city, district) by the municipal government. At the same time, it has established the evaluation standard for strengthening the county and enterprise in the construction industry [2].

Compared with large-scale state-owned enterprises, Wenzhou local construction enterprises are mostly small and medium-sized enterprises, which are generally composed of a single person or a small number of people. Due to their small scale and weak capital strength, their management is often not as standardized as that of large enterprises. They attach more importance to short-term interests, extensive cost management and lack of management awareness of hidden costs. In local construction enterprises, decision-making power is often highly concentrated, which is basically made by the general manager. Even many small and medium-sized enterprises are family based, and the corporate

culture is family culture [3-5]. In addition, the lack of humanistic care for employees leads to frequent talent flow and low work efficiency, which further aggravates the cost burden of enterprises and hinders the healthy and rapid development of enterprises. It can be said that local construction enterprises are faced with many difficulties in survival and development. They are in a weak position in the industry competition for a long time. It becomes more and more difficult to obtain more benefits through contract profits in the fierce construction market.

2. HIDDEN COST OF WENZHOU CONSTRUCTION ENTERPRISE

In recent years, Wenzhou government has issued a series of supporting policies, which provide a good external environment for the development of Wenzhou construction enterprises. But from the long-term development, managers should pay more attention to the internal cost management and control. Because the most important goal of enterprise development is to obtain profits, and cost is the main factor affecting profits. Generally speaking, construction enterprises have strict control over the explicit costs of materials, labor and manufacturing costs, etc., while they have no way to deal with some hidden costs hidden behind the explicit costs. This is because the explicit cost has the characteristics of visibility, regularity, easy quantification and control, which can be directly reflected in the project budget. Therefore, the analysis and research of the industry and academia is not only comprehensive and in-depth, but also the theory, method, calculation model and control measures of explicit cost control are also very mature and rich. In the actual project, the control of the dominant cost of construction enterprises is also more comprehensive, it is difficult to further reduce. However, the implicit cost is totally different. Because of its inherent characteristics of concealment, complexity, difficulty in quantification and uncontrollability, entrepreneurs and scholars have a sufficient understanding of its importance and urgency, but the research can only stay on the surface and cannot touch the source. The results are often generalized, and it is difficult to find the objective basis and quantitative support for the implicit cost control. Return to the low-level and extensive recessive cost control strategy of valuation according to experience, response according to interest and decision-making according to habit, which leads to the recessive cost control becoming a mere formality, a lot of manpower, material resources, time and funds are wasted in vain, and the "benefit funnel" of construction enterprises is gradually formed.

In foreign related studies [6-8], Thomas C.R. and Maurice s.c. believe that the implicit cost is the opportunity cost for enterprises to use their own resources. Alfred Marshall, the founder of Cambridge school, argues that in a market economy, the hidden cost of an enterprise is always higher than the cost of capital. If an enterprise's income from total investment is lower than the current rate of return on capital. Then the enterprise must be operating at a deficit and encroaching on future interests. In the relevant domestic research [9-11], scholar Zhu Fuxing thinks that "the original meaning of implicit cost" refers to the value of production factors invested by the manufacturer but not paid for, including: (1) the rent of own land, depreciation of assets such as factory buildings, machinery and equipment; (2) the interest of self-owned capital; (3) the remuneration due to the owner for providing services for the enterprise, that is, the entrepreneur's talent. " This definition ignores the opportunity cost nature of implicit cost, and expands the scope of the concept. Entrepreneur Liu Xing classified "influence cost, information distortion cost and authority failure cost" as hidden cost. It is considered that the

recessive cost is attached and potential. Only three examples are cited, and no accurate concept is given. Scholar Chen Xuejun believes that "hidden cost is a kind of cost hidden in the total cost of economic organization and free from the supervision of financial audit. This is the hidden future cost and transfer cost caused by the behavior of economic entities intentionally or unintentionally. It is the sum of the future tense of cost and the transferred cost form."

According to the summary, both domestic and foreign entrepreneurs, managers and scholars in various fields have some understanding of the impact of implicit cost, but previous studies have not reached a consensus on the concept of implicit cost, and there is still no mature and authoritative theory. Generally speaking, the current similar research mainly focuses on the concept discussion stage, lacking of theoretical analysis and data support, especially the quantitative methods and control measures of the hidden cost of construction enterprises need to be further studied.

3. THE HIDDEN COST CONTROL COUNTERMEASURES OF WENZHOU CONSTRUCTION ENTERPRISES

(1) Optimal construction method

The choice of construction methods will lead to different construction schedules and will produce different hidden costs. When selecting the construction method, according to the characteristics of the construction, factors such as the on-site construction environment, materials and equipment are taken into consideration, and several different schemes are made and then compared and selected alternatives, and then the alternatives are comprehensively selected according to the constraints of the construction. Decide on the best plan, and finally analyze the best plan and make the final optimization. In addition, the improvement of construction progress and project quality is inseparable from the choice of construction methods. When choosing better construction measures, you should also consider improving the construction methods through the various details of the construction process, thereby reducing hidden costs.

(2) Reasonably arrange the construction schedule

The reasonable arrangement of the construction schedule can not only reduce the occurrence of idle work, but also reduce the various costs required for production while ensuring the best project quality and safety production, and the reasonable arrangement of the construction schedule.

(3) Set up a reasonable project organization form

The systematic and scientific setting of organizational forms can not only reduce the command of multiple leaders and avoid confusion, but also increase the enthusiasm of the staff and continuously improve the work efficiency. Therefore, it is very important to set up a scientific project organization method, which can reduce the generation of hidden costs.

(4) Strengthen subcontracting management

In the construction phase of a construction project, subcontracting occurs in most cases, which is also one of the reasons for the increase of hidden costs. In order to reduce the occurrence of this phenomenon, subcontracting should be managed.

(5) Information communication management

The information communication in the construction phase consists of two parts: one is the information communication within the project organization, and the other is the information communication

between the project organization and external parties involved. In order to control the generation of hidden costs, it is necessary not only to obtain the recent situation of the industry or the market through various channels and establish a corresponding guarantee system to avoid information distortion, but also to reduce intermediate links so that information can be transmitted in time to avoid problems in the middle. For large-scale engineering projects, the amount of engineering and information will be more numerous. At this time, it is necessary to set up a special information team to analyze and solve problems. Before starting, comprehensive information collection should be conducted on the project, and then comprehensive management should be conducted based on the collected information. In this way, specific problems can be analyzed, which can not only improve work efficiency, but also reduce hidden costs.

4. CONCLUSION

Hidden costs are concealed, complex, difficult to quantify, and uncontrollable. Although the managers of Wenzhou construction companies have sufficient understanding of their importance and urgency, they can only estimate them based on experience, respond based on interest, and The low level of accustomed decision-making and the extensive hidden cost control strategy have led to hidden cost control as a mere formality, a lot of waste of manpower, material resources, time, and funds, gradually forming a "benefit funnel" for construction enterprises. On the premise of studying the papers of domestic and foreign scholars, this article proposes measures to control the hidden costs at this stage according to the main influencing factors, including: optimizing the construction method, rationally arranging the construction schedule, setting up a reasonable project organization form, and strengthening subcontracting management, Information communication management, etc. It provides a brand-new concept and control idea for Wenzhou construction enterprises to carry out cost control, and helps to improve the core competitiveness of local construction enterprises.

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