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The Role of Strategic Cost Management in the Value Chain to Maximize Profitability: A Field Study at a Sample of Industrial Companies in Suleimani Governorate

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ABSTRACT

Strategic cost management is a crucial element in business, as organizations worldwide prioritize cost management to maximize profits, ensure financial stability, and maintain a smooth supply chain, despite the challenges managers face in developing an effective framework. The main objective of this paper is to identify the role of the relationship between strategic cost management techniques and the supply chain in maximizing profitability, using the principles of this technique in a company's supply chain is an important means of profit growth. It helps measure, evaluate, and improve performance at the transaction level, and the performance of the network of suppliers and customers that make up the entire value chain, a sample of accountants in a group of companies was selected, and 45 questionnaire forms were distributed for the benefit of statistical analysis. The study's most important findings are that there is a statistically significant and influential relationship between strategic cost management and the supply chain, which helps the company improve performance and profitability, reduce costs, and achieve customer satisfaction.

Keywords: strategic cost management, supply chain, profit maximization.

1 INTRODUCTION

Strategic cost management plays a valuable piece in the business and organizations around the world give importance to cost management to maximize its profit. Cost management is an important part of providing financial stability within a company. The smooth supply chain of an industry relies on the strategic expenditure of the budget of the company in the process. Development of a strategic cost management framework is essential for a company though there are some challenges faced by the managers in the process. Allocating the cost properly and suitable areas which can significantly impact the maximization of profit is one of the major challenges in this field [1][2]. The term “supply chain” was introduced in the early 1980s, defining an emerging management discipline that integrated logistics and operations management activities. Over time, supply chain management evolved, encompassing functions like quality management and supplier performance monitoring, all aimed at optimizing the flow of goods and services [3].

Several problems are noticed due to the disruption of cost management, and it results in big issues in the companies such as inaccurate price of the product, quality defects, and rework, poor cost management can reduce the opportunities for improvements of the company and at the same time may lead to make wrong decisions about pricing strategies, supply chain and profitability of the company. Therefore, this study seeks to answer the following questions: (1) what is the importance of strategic cost management? (2) how can strategic cost management be implemented in the supply chain process? and (3) how does strategic cost management affect the maximization of profit in industries?

The objective of this study as follows: to evaluate the importance of strategic cost management in the supply chain; to examine the interrelation between cost management and supply chain management; to analyze the impact of cost

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management on the profit of the organization; and to examine the impact of disrupted supply chain management on strategic cost management.

The present study is one of the most important studies to highlight the importance of strategic cost management in supply chain management. This study will focus on the aspects that are related to the topic of the study such as cost management, supply chain, and profit. Evaluation of these aspects could consider the relation among the aspects and what are the requirements of these parts that can maximize the profitability of the organization. This study will give brief information about the strategies that could be applied to manage the cost in an organization to make a positive impact on profit. Moreover, the research helps to gain knowledge about the organization's approach to cost management to have an efficient supply chain.

This study consists of a brief introduction about cost management and the methodology part of the study could give information regarding the problems, the objectives, and the research importance of the study. The literature review part is also important for this study to know about cost management, supply chain, and profit. The theoretical framework is the most valuable part of this study and the theories related to the topic will connect the three important parts along with them. The conclusive part of the study will give information about the impact of strategic cost management in supply chain management to maximize profit. Hence the separate and important parts of the study help to consider the importance of strategic management in the supply chain to maximize the profit.

2 LITERATURE REVIEW

According to Rounaghi *et al.* [4] Cost management in recent years has gained the focus of companies across the world. The sustainability of the industry relies on how cost-effectively the companies can operate. The continuous adoption of new technologies can lower the cost of the overall operation of a company in the industry. Costs of the operation have been increased by 55% compared to the 1% increase in the net income for the company.

Thapayom [5], investigated the influences of strategic cost management on decision-making quality, competitive advantage, firm profitability, and organizational sustainability. In his study, 330 Industrial firms in Rayong are the samples of the study. The results reveal that strategic positioning analysis and value chain analysis have a significant positive influence on decision-making quality, competitive advantage, firm profitability, and organizational sustainability. This study enables firms' executives to be aware of how to implement, apply, and utilize strategic cost management to create decision-making quality and competitive advantage, initialing firm profitability and achieving organizational sustainability.

Arrak [6], reviewed the case of Blue Scope company; it is a steel maker that operates in a very competitive environment. The company is responding to the stiff competition by opening new markets in less-competitive countries. It has also developed and implemented a strategic cost management system (SCM). Effective SCM ensures that the company produces high-quality items at low costs. It ensures that the firm has a cost leadership which is important in gaining competitive advantage. It will enable the company to produce and distribute its products at lower costs than competitors.

According to Qiu and Xiao [7], integration of artificial intelligence technology such as RPA, and data analysis in the financial section of the operation can effectively direct the cost management process. Companies can initiate smart inventory systems, and smart manufacturing processes to reduce labor costs. RPA can simulate manual repetitive tasks to save time by operating on a preset function which can result in cost saving. Moreover, the Integration of automatic robots can simplify data-handling tasks without any human intervention. The robots can update operational data simultaneously completed by RPA. The information is updated to the inventory management system to track the inventories. Therefore, technology plays a huge role for companies in managing operational costs with no compromise of productivity. Therefore, to sustain the growth of the company in the international market with growing competition across the countries, the involvement of technology is necessary in the cost management process.

According to Kitchen and Craighead [8], cost management is recognized as one of the major focus points in managing the supply chain under a critical economic condition, an effective supply chain is an important part of the operations. Companies analyze the capabilities of technology such that the cost-effectiveness of the operations gets in the right direction. The COVID-19 pandemic disrupted the supply chain process despite the preparation and risk management done by the companies. A sudden spike in demand could not be fulfilled by the industry due to poor strategy. Thereafter, some companies have transformed their service and products to meet the demand cost-effectively. And some have changed the way of distributing the products by implementing technologies to build a smart supply chain. Failure of the process can hamper the production line to a large extent. Therefore, establishing a cost-effective supply chain is important for a sustainable production environment.

As per Lee & Mangalaraj [9], cooperation between suppliers and industry operators is an important factor for sustainable development. The competitiveness of a company can be judged by the company's relationship with its suppliers. Resilience in the supply chain network provides the company with the power to stand against any kind of disruptions and productivity loss due to disasters. This study revealed that, with the adoption of smart contracts for high-risk collaborating

work, resilience strategies can be promoted. The effectiveness can decrease if the duration of the disruption activities gets longer than usual. Therefore, to recover from the disastrous phenomena,

According to Soliman & Bahareth [10], understanding the consumer's demand, brand reputation, and closed-loop supply chain integration are the most important factors in a sustainable closed-loop supply chain in Saudi Arabia. An extended producer responsibility approach could be taken by the Saudi Arabian government for waste management in the photo-volatile industry.

According to Ageron *et al.* [11], in a volatile supply chain environment, innovation in the process is necessary when the expectation of the customers on the quality of the product is growing. Digital transformation of the supply chain plays a significant role where the relationship between the customer and company is not strong. Various qualitative and quantitative frameworks have been suggested in the field of digital supply chains to manage the cost-effectiveness of the process. As per Albalushi *et al.* [3], supply chain resilience and managing the quality of the product are very important factors in today's volatile market full of disruptions. The performance of the company can be enhanced by combining the disciplines.

According to Okeke and Ugwu [12], this study investigated the impact of streamlining strategic cost management on the profitability of local pharmaceutical firms in Nigeria. The dependent variable is represented by the return on asset (ROA), and the independent variable is represented by: the cost of inventory (COIV), cost of labor (COLB), and cost of selling/distribution (COSD). The design used secondary data collected from the published annual reports of selected listed local pharmaceutical firms published in Nigeria, 2016-2021. The specific findings are that COIV and COSD are positive and non-insignificant on ROA; while COLB is positive and significant on (ROA) of local pharmaceutical firms in Nigeria. This study contributes to the existing body of knowledge. We recommend that firm policymakers, are to streamline the cost management policies of COIV, COLB, and COSD; as they impact ROA in Nigeria. Implications show that managers and other policy makers who desire to use these findings: should know that only one of the study variables is positive and significant on ROA.

As per Anwar and Abdullah [13], organizations around the world try to make less expense and try to maximize production in the company. The effective cost management of the organizations is responsible for the maximization or the decreasing profit of an organization. The organizations apply strategic cost management to make the company more profitable. The expenses regarding the production and the wages of the employees are the most important part that affects the profitability of the company. The cost of production is the necessary cost that has to be remembered and the quality of the production should be appropriate according to the standard of the organization. It is known that the decreasing quality of the product could be responsible for the profit margin of the company. That is the reason renowned companies around the world try to utilize the cost to better productivity of the company. That is the formula to increase the profit margin while making the appropriate utilization of cost management.

2.1 HYPOTHESIS DEVELOPMENT

2.1.1 STRATEGIES OF COST MANAGEMENT

In light of the modern manufacturing environment and the intense competition between companies, it has become imperative for the management of these companies to adopt several techniques for cost management, all of which contribute to reducing costs, improving quality, optimal utilization of resources, improving the company's competitive position, and gaining customer satisfaction, all of which is directly reflected in the value and profitability of companies. Through the above, companies have adopted a modern approach to building cost management, and given the modern technological developments, globalization, and the technological revolution that helped provide all data and information in the internal and external environment, in addition to a group of other pressures such as changing customer tastes and product diversity, and in response to these pressures, industrial companies have developed production and manufacturing systems and philosophies to improve performance or at least maintain their competitive position.

Strategic Cost management has evolved through a series of stages to respond to environmental changes and requirements, which can be identified [14] as follows: The first stage: In this stage, cost management was about recording operations to calculate costs and prepare financial reports. The second stage: In this stage, cost management contributes to preparing financial reports. The third stage: In this stage, cost management information has become a follow-up to basic operational data and provides more relevant information for decision-making. The fourth stage: Cost management information systems include an essential and integrated part of the company's strategic and administrative information system.

2.1.2 SUPPLY CHAIN

This part is to discuss the theoretical framework of a supply chain in the industry companies. The supply chain management framework incorporates all planning in the process, from managing the demands to delivery of the final product to the customer. Resilience in the supply chain process defines the agility of being resistant to any kind of disturbances in the industry [15]. The term resilience comes from areas such as psychology but was adapted by intra-organizational businesses. Thereafter, resilience has become the driving factor for the supply chain. Moreover, the

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modern technologies used in supply chain processes allow organizations to predict and respond to any risk and also bring the opportunity as soon as possible.

2.1.3 PROFIT

Profit maximization remains the central focus point across all industries [16]. The product managers try to identify the modules that can be upgraded further. With the gradation of the selected modules, the product gets an upgrade, or new functions can be added to the existing ones [17]. Therefore, the cost of developing the product gets a hike, and the quality of the product gets upgraded [18]. With the gradation and optimization in product quality, the price and value of the product also can be maximized with time [19].

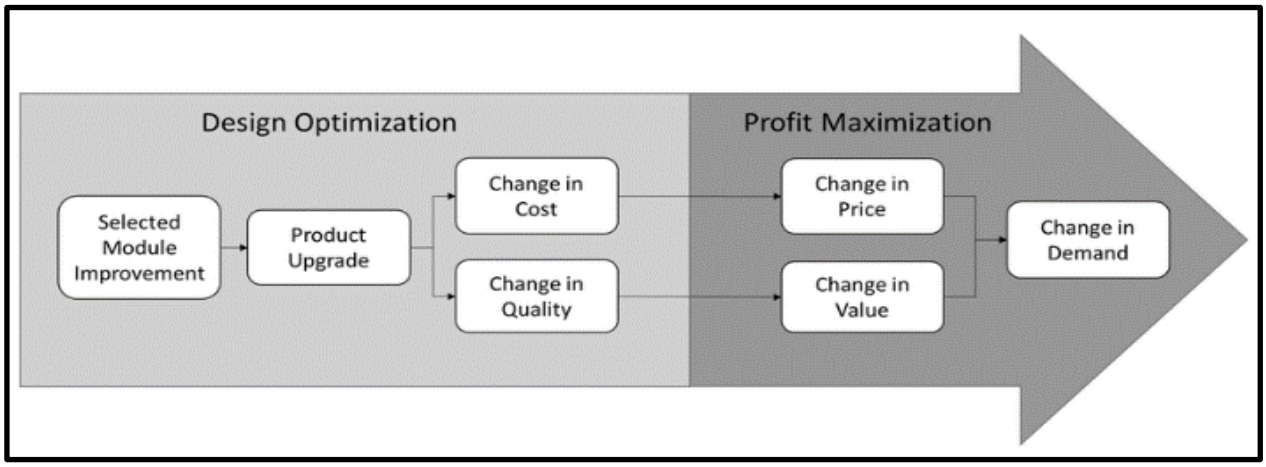

FIGURE 1. A framework for the profit maximization

Source: Yassine and Khoury [17].

The maximization of profit generation broadly impacts society. The beginning of a sustainable and successful company starts with profit generation by the industries that benefit society to transform the next generation of market leaders. The exploitation of the stakeholders often seemed to be a negative factor in the pathway of profit maximization [20]. Therefore, to treat the profit as a sustainable economy, strategic cost management of the companies should be effective.

2.1.4 STRATEGIC COST MANAGEMENT IN THE SUPPLY CHAIN TO INCREASE PROFIT

This part discusses the overall impact of strategic cost management in the supply chain process in maximizing profit generation across the industries. In this digital age, industries across the countries are exposed to high-level competition and effective cost management of the product [21]. In this ever-changing trading environment, companies work relentlessly to capture the attention of the target customers by analyzing the profitability of the market. A firm in a respective industry can achieve profitability by planning and implementing strategic cost management. The cost of developing and maintaining a product is one of the major factors for companies [22]. Therefore, the impact of managing the cost strategically is always the focus of the decision-makers whenever they try to implement any new strategy for increasing revenue. The cost of developing a product consists of different aspects, such as the expense to manage a sustainable supply chain process, marketing cost, and product development cost.

The supply chain of a company should be smooth and agile to combat any disruptions and predict any future risks. To make the supply chain effective, the cost of the overall process gets an increase. There are three types of cost management strategies identified for the industries to remain cost-effective and to generate the maximum profits. The company decision-makers can select one strategy from these three such as overall cost leadership, focus strategy, and strategy of differentiation [23]. Moreover, by identifying the most effective target costing section, companies can select the strategy. Therefore, the strategy enables the company to always compete with a foot ahead. The finance department should take care of any unevaluated expense that does not impact making the supply chain effective and thus result in generating less profit. Companies across the supply chain use different cost management tools to effectively lower the expenditure, such as tracking the delivery schedule, managing a lean inventory to store a variety of products, forecasting the future demand, and managing a collaborating portal between the suppliers and the customers.

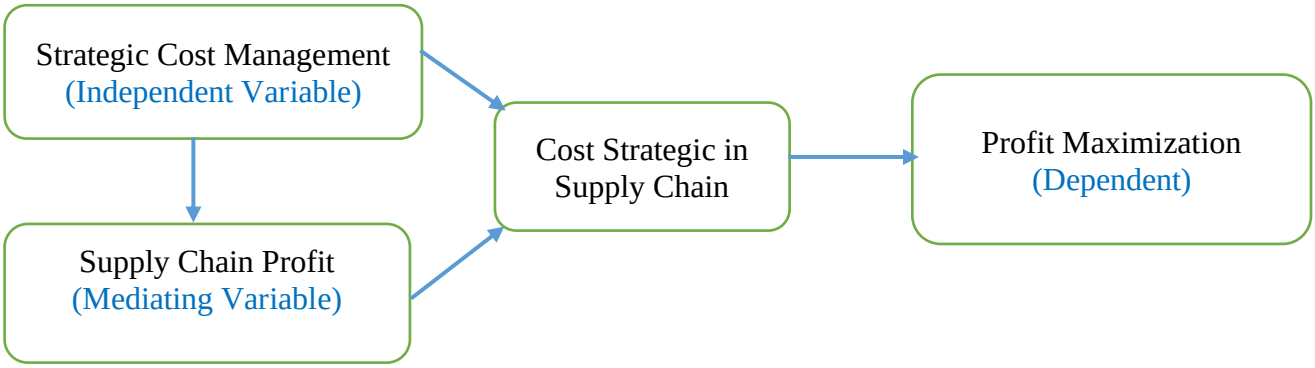

FIGURE 2. Conceptual Framework

Source: Prepared by the authors

The practical part of the research is based on building and designing a questionnaire form, and it is the main tool for the practical part of the research. The questionnaire section was built according to the five-fold Likert scale, from which five options are available for the research sample within the framework of (totally agree, agree, neutral, disagree, totally disagree).

- Design (components) of the practical part tools: The questionnaire was divided into two parts:

- Personal information: It deals with the respondent's personal information and consists of eight items (name of company, field of company, gender, age, Academic qualification, Specialization, years of experience, and Job Title)

Questionnaire sections: It is a research field that aims at the reality of (The importance of strategic cost management in the value chain to maximize corporate profitability**).** It is the field aspect from the point of view of academics and specialists on a sample of the study. This part contains a set of items, numbering 24 items distributed over three main variables:

1. The first variable under the title is **strategic cost management** (Independent Variable)**,** and in the analysis of a situation that has the symbol (X) and consists of (**10**) items, which are symbolized by the following (X1, X2, ..., X10).
2. The second variable **supply chain** is the Mediating Variable. **In** the analysis, the symbol (**Y**) was placed for it, and it consists of (9) items, which are symbolized by the following (Y1, Y2, …, Y9).
3. The last variable is **maximizing profitability** is Dependent Variable **In** the analysis, the symbol (**Z**) was placed for it and it consists of (5) items, which are symbolized by the following (Z1, Z2, …, Z5).

3. DATA AND METHOD

Likert scale In the context of statistical processing of the questionnaire data, the five-point Likert scale was used, and since the study's questionnaire was based on the five-point Likert scale (strongly agree - strongly disagree), there are five classes to which arithmetic mean belong to, The class is determined by finding the length of the range (5-1 = 4) and then dividing the length of the range by the number of classes (5), i.e. (4/5 = 0.80), and then adding (0.80) to the lower limit of the scale (1) or subtracting from the upper limit of the scale (5), and the classes are as follows: [24]

1.00-1.80 too low

1.81-2.60 Low

2.61-3.40 Moderate

4.21-4.20 High

4.21- 5.00 very high

The objective of displaying personal information on the study sample enables the researcher to carry out the process of analyzing and interpreting the questionnaire's interlocutors and testing hypotheses according to a comprehensive methodology and facilitating the process of discussion and analysis. Five items characterize the study sample as follows:

Table 1 presents the distribution of the study sample according to the responder's characteristics variables as follows:

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Table 1. Sample distribution according to responder's characteristics.

Variable		Frequency	Percentage %
Age	Less than 30 years	19	42.2
	31-35 years	14	31.1
	36-40 years	9	20.0
	41-45 years	3	6.7
Academic Qualifications	Bachelor's degree	11	62.2
	higher diploma	28	24.4
	master's Degree	2	4.4
	PhD	1	2.2
	Other	3	6.7
Specialization	Accounting	30	66.7
	Management	11	24.4
	Marketing	1	2.2
	Engineering	1	2.2
	Other	2	4.4
Years of Service	(Less than 5) years	23	51.1
	(5-10) years	10	22.2
	(11-15) years	6	13.3
	(16 and over) Years	6	13.3
Job Title	Accountant	27	60.0
	Auditor	9	20.0
	Engineer	3	6.7
	Other	6	13.3
Total		45	100.0

Source: Prepared by the authors

4 ANALYSIS AND DISCUSSION

The frequencies and percentages and the relative importance of the responses of the sample were calculated to determine the strength of each item in the section and its importance in the section. As well as calculating the weighted mean to determine the direction of the items, the standard deviation was found to display the dispersion in the responses of the study sample in each item.

The responses are interpreted according to the relative importance and the weighted mean, so that the item is positive, meaning (that the sample members agree on its content) if the relative importance is greater than (60%), and the weighted mean is greater than the hypothetical mean of 3, the items are negative, meaning (that the sample members do not agree with their content) if the relative importance is less than (60%), and the weighted mean is less than the hypothetical mean, this applies to all items of the questionnaire, and from so, this part deals with a presentation or analysis of the information related to the research sections of the questionary.

Presentation, analysis, and discussion of the results related to the items of the second part of the questionnaire

Table 2. Means, SD, and RI for questionnaire variables

Items	Totally Disagree	Disagree	Neutral	Agree	Totally Agree	M	SD	CV	RI
	No.	No.	No.	No.	No.				
	%	%	%	%	%				
Strategic Cost Management	27.0	14.0	45.0	179.0	95.0	3.84	0.85	22.90	76.72
	7.5	3.9	12.5	49.7	26.4				
Supply Chain	30.0	25.0	46.0	184.0	120.0	3.85	0.88	22.93	76.74
	7.4	6.2	11.4	45.4	29.6				
Maximizing Profitability	15.0	12.0	30.0	87.0	81.0	3.92	0.96	24.49	78.40
	6.7	5.3	13.3	38.7	36.0				

***M: is Weighted Mean, SD: is Standard Deviation, CV: is Coefficient of Variance, RI: is Relative Importance.**

***Means Description: (1 – 1.8 very low, 1.81 – 2.6 low, 2.61 – 3.40 Moderate, 3.41 – 4.20 high, and 4.21 – 5 very high), RI = Relative importance**

Source: prepared by the authors

Table 2 above demonstrates the values of means, standard deviation, and RI for **variables of questionnaire**. The third variable (**Maximizing Profitability**) recorded the highest mean (3.92) among the variables being rated by the study sample, expressing a very high level of agreement for this variable. While first variable (**Strategic Cost Management**) recorded the lowest mean (3.84) by the study sample which is a high level of agreement too.

4.1 Confirmatory Factor Analysis

To verify the factor structure of the set of the observed variables (the factor loadings) confirmatory factor analysis (CFA) is applied. Composite reliability (CR) is assessed. The results are presented in table (4) below. Discriminant validity is assessed through HTMT Analysis, the results are presented in Table 3.

The measurement model was subjected to confirmatory factor analysis for convergent and discriminant validity as well as composite reliability [25]. In CFA application, larger standardized loading estimates confirm that the indicators are strongly related to their associated constructs and are one indication of construct validity [25], all loadings were greater than 0.50 and were significant [26]. The average variance extracted (AVE) was also greater than 0.50. These findings collectively revealed that convergent validity was achieved. The AVE values between the **variables of questionnaire** were greater than the squared correlation between the relevant latent constructs.). CFA provides a way of assessing discriminant validity according to Hair et al [25] by comparing the average variance-extracted (AVE) values. Passing this test provides good evidence of discriminant validity [25]. The convergent validity of the CFA result has to be supported by item (α) reliability, construct reliability, variance extracted, and average variance extracted [25]. All the factor loadings are found to be significant ($\rho < 0.001$). In addition, construct reliability estimates ranging from **0.891, and 0.917** which exceed the critical value of 0.7 recommended by Hair et al. [25] and Sekaran and Bougie [27], indicating it was satisfactory. In summary, it appeared that discriminant validity was achieved.

All measures were reliable because each composite reliability (>0.60) as well as coefficient alpha (>0.70) . The results for the reliability scores of measures are reported in Table 3, and summary statistics and correlations of observed variables are given in Table 4.

Based on the results of Table **4** above, the final best-fitting model is presented in Figure **4** below.

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Table 3. Scale items and their sources and confirmatory factor analysis results.

Scale Items	Factor loading
Strategic Cost Management	
(AVE = .57, CR = .912, α = .908)	
X1	0.859
X2	0.829
X3	0.809
X4	0.732
X5	0.742
X6	0.704
X7	0.719
X8	0.591
X9	0.740
X10	0.693
Supply Chain	
(AVE = .55, CR = .917, α = .915)	
Y1	0.780
Y2	0.783
Y3	0.767
Y4	0.648
Y5	0.719
Y6	0.650
Y7	0.743
Y8	0.722
Y9	0.853
Maximizing Profitability	
(AVE = .62, CR = .891, α = .898)	
Z1	0.858
Z2	0.872
Z3	0.765
Z4	0.753
Z5	0.681

Source: prepared by the authors

The measurement model was subjected to confirmatory factor analysis for convergent and discriminant validity as well as composite reliability [25]. In CFA application, larger standardized loading estimates confirm that the indicators are strongly related to their associated constructs and are one indication of construct validity [25], all loadings were greater than 0.50 and were significant [26]. The average variance extracted (AVE) was also greater than 0.50. These findings collectively revealed that convergent validity was achieved. The AVE values between the **variables of questionnaire** were greater than the squared correlation between the relevant latent constructs.). CFA provides a way of assessing discriminant validity according to Hair et al [25] by comparing the average variance-extracted (AVE) values. Passing this test provides good evidence of discriminant validity [25]. The convergent validity of the CFA result has to be supported by item (α) reliability, construct reliability, variance extracted, and average variance extracted [25]. All the factor loadings are found to be significant ($\rho < 0.001$). In addition, construct reliability estimates ranging from **0.891, and 0.917** which exceed the critical value of 0.7 recommended by Hair et al. [25] and Sekaran and Bougie [27], indicating it was satisfactory. In summary, it appeared that discriminant validity was achieved.

All measures were reliable because each composite reliability (>0.60) as well as coefficient alpha (>0.70). The results for the reliability scores of measures are reported in Table 3, and summary statistics and correlations of observed variables are given in Table 4.

Table 4. Summary statistics and correlations of observed variables

	X	Y	Z
X	1		
Y	.874**	1	
Z	.841**	.830**	1

Source: prepared by the authors

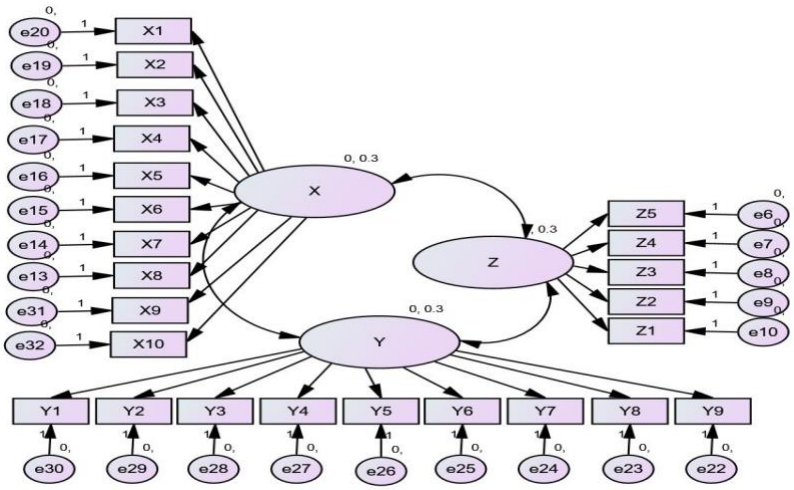

FIGURE 4. Final best-fitting CFA model

Source: prepared by the authors

4.2 GOODNESS OF FIT

To evaluate the goodness of fit for the model, a range of indicators are referred to, including standardized root mean squared residual (SRMR), Tucker and Lewis's index of fit (TLI), and root mean square error of approximation (RMSEA). The results are presented in Table **5**.

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Table 5. Goodness-of-fit statistics for the three-factor CFA model.

Model tested	χ^2	p-Value	χ^2/df	CFI	TLI	IFI	RMSEA
Model performance	234.69	0.099	1.128	0.926	0.917	0.930	0.075
Criterion for goodness of fit		Non-sig.	≤ 2	≥ 0.90	≥ 0.90	≥ 0.90	≤ 0.08

Note: CFI = Comparative fit index; IFI = Incremental-fit index, TLI = Tucker- Lewis index, RMSEA = Root mean square error of approximation

Source: prepared by the authors

Table **5** shows the value of the Chi-square statistic, which tests the null hypothesis that the over-identified model fits the data, The non-significant Chi-square here indicates the model is fit, and (χ^2/df) confirmed the result of the chi-square. The RMSEA is less than 0.08, indicating an excellent model fit [28]. The CFI value is greater than 0.90, indicating a good fit for the model [28][29]. The TLI value is greater than 0.90, indicating a good fit as well (Mhamad, A. J., & Ahmed, R. A., 2020; Sharma et al. 2005), [26]. As indexes suggest a sufficient fit of the model to the current data, the hypothesized model is fitted.

4.3 HYPOTHESIS TESTING

To test the hypothesis of the study, structure equation modelling (SEM) is applied as shown in Figure **(4).** The results are presented below. The study hypothesis states that "**There is no statistically significant relationship between strategic cost management and maximization of profit. Strategic cost management does not hold a statistically significant impact on the maximization of profit."**

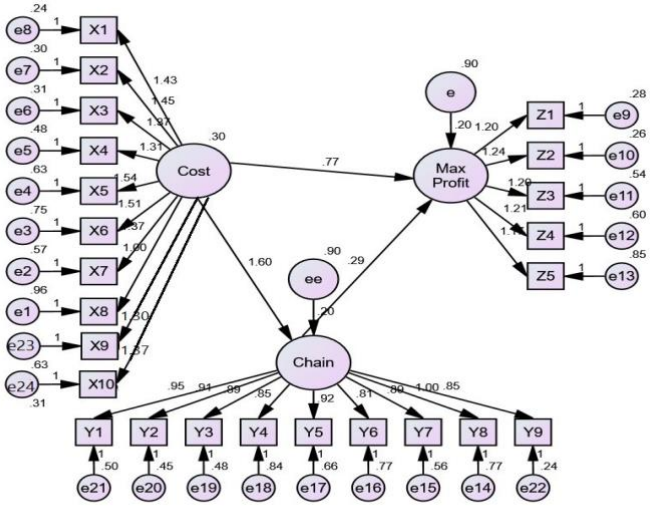

FIGURE 5. The SEM Model for the study hypotheses

Source: Prepared by the authors

Table 6. Structural Equation Modelling Regression weights

			Estimate	S.E.	C.R.	P	R^2
Z	←	**X**	0.599	0.395	4.055	***	0.93
Y	←	**X**	0.977	1.634	0.473	.636	0.96
Z	←	**Y**	0.370	0.937	0.311	.756	0.93

Note: S.E. = Standard errors of the regression weights, C.R. = Critical Ratio, P = p-value

Source: Prepared by the authors

Table 6 shows that **strategic cost management in the value chain has a significant effect on maximizing corporate profitability**; since the critical ratio value is greater than 2 and the p-value (***) is less than 0.05, the path is significant [30]. The relationship between **strategic cost management in the value chain** and **its maximization of corporate profitability** is a strong positive significant relationship as the value of Pearson correlation equals **0.841** [31] as shown in the Table 4, above. Accordingly, the study hypothesis is accepted, indicating that **there is a statistically significant relationship between strategic cost management and maximization of profit, and strategic cost management holds a statistically significant impact on the maximization of profit**. The overall model fit supported the measurement model according to these criteria, which are reported in the above Table 5. The effect size is **0.599**. **Strategic cost management based on chain value** can explain **93%** of the variation in **it maximizes corporate profitability** as the R^2 value is **0.93**.

CONCLUSIONS

This study investigated the impact of strategic cost management within the value chain on corporate profitability, considering the mediating role of the supply chain. The findings confirm that effective strategic cost management significantly enhances profitability, underscoring its importance in financial performance optimization. The CFA and SEM results validate the research model, demonstrating the reliability of the proposed relationships. However, the mediating effect of the supply chain was not statistically significant, suggesting that while supply chain efficiency is essential, its direct role in profitability may require further investigation.

IMPLICATIONS

The results have several theoretical and practical implications. Theoretically, the study contributes to cost management literature by providing empirical evidence on the role of strategic cost management in profitability maximization. It highlights the need for further exploration of mediating factors that could enhance the relationship between cost management and financial performance.

From a managerial perspective, the findings emphasize the necessity for companies to adopt comprehensive cost management strategies across the value chain. Organizations should focus on cost reduction without compromising quality, leveraging advanced cost management techniques, and integrating technology to optimize operations. While supply chain efficiency remains a vital aspect of business strategy, its indirect influence on profitability suggests that firms should adopt a more holistic approach, considering additional factors such as innovation, market positioning, and customer satisfaction.

RECOMMENDATIONS

Based on the study's findings, the following recommendations are proposed:

1. Companies should invest in advanced cost management techniques, such as activity-based costing and lean management, to improve cost efficiency and profitability.

2. Businesses should explore ways to improve supply chain coordination, such as supplier partnerships, technology adoption, and data-driven decision-making, to enhance operational efficiency.

3. Future research should consider other potential mediators, such as innovation capabilities, digital transformation, or competitive strategies, to gain a more comprehensive understanding of the cost management-profitability relationship.

4. Since supply chain dynamics may vary across industries, further studies should examine different sectors to determine whether specific industry characteristics influence the mediating role of supply chains.

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5. Conducting long-term studies could provide deeper insights into how strategic cost management practices evolve over time and their sustained impact on profitability.

Overall, this study reinforces the importance of strategic cost management as a critical driver of profitability. By adopting effective cost control measures and continuously refining supply chain operations, companies can enhance their competitive advantage and long-term financial performance.

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