

COST MANAGEMENT STRATEGIES: A Theoretical Framework and a Glimpse of Sri Lankan Practice

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ABSTRACT

Cost Management is of two dimensions: Cost Control and Cost Reduction. Cost control deals with elimination of waste within the existing work environment. Cost reduction attempts to improve the work environment. Cost control and cost reduction activities could vary in degree in a continuum giving rise to four basic Types of Cost Management Strategy: low orientation for cost management (*come what may*), cost control driven (*watch dog*), cost reduction driven (*path finder*) and high orientation for cost management (*flagship*). Responses from a sample of forty four middle and upper level managers from the services and manufacturing sectors in Sri Lanka were suggestive of an inclination towards *come what may* type strategies in their organizations. This is an unfavourable trend which requires correction particularly in the context of a developing country such as Sri Lanka.
