

The Hidden Costs of Management in Administrative Institutions and Countermeasures for Resolving Them

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Abstract

The hidden costs in unit management are costs that both violate the financial system of the unit and cannot be reflected in accounting. These costs are devouring the property of national units. Therefore, it is urgent to find countermeasures to eliminate the hidden costs of the unit. The article provides a specific analysis of the manifestations and main sources of hidden costs in unit management, and integrates the connotation and composition of hidden costs to propose specific strategies and suggestions for eliminating hidden costs and improving unit efficiency in unit management.

Keywords

Unit Management; Hidden Costs; Digestion; Benefit.

1. Introduction

For a long time, unit managers have believed that the management of administrative institutions is not a specific economic activity, and have given less consideration to its costs and benefits, but more consideration to the efficiency and effectiveness of management. They have paid more attention to whether specific problems have been solved and whether management goals have been achieved. In fact, the management of administrative institutions also has costs, including both explicit costs and hidden costs that are detached from financial supervision. Although hidden costs may not be easily detected, their impact can be more long-term and even affect the healthy and healthy development of a unit. Hidden costs are conceptually relative to explicit costs, and they are difficult to accurately reflect through relevant financial management books and expenditure details like explicit costs. Internally, hidden costs are more potential costs or future costs, which are difficult to quantify and have strong characteristics of concealment, explosiveness, and amplification. They often become prominent in subsequent management work.

2. The Specific Manifestations of Hidden Costs in the Management of Administrative Institutions Section Headings

2.1. Hidden Institutional Costs

The section headings are in boldface capital and lowercase letters. Second level headings are typed as part of the succeeding paragraph (like the subsection heading of this paragraph). All manuscripts must be in English, also the table and figure texts, otherwise we cannot publish your paper. Please keep a second copy of your manuscript in your office. When receiving the paper, we assume that the corresponding authors grant us the copyright to use the paper for the book or journal in question. When receiving the paper, we assume that the corresponding authors grant us the copyright to use the paper for the book or journal in question. When receiving the paper, we assume that the corresponding authors grant us the copyright to use.

Page Numbers he hidden institutional cost refers to the cost that a unit needs to pay to comply with various policies, regulations, and systems formulated by the government. Due to the backwardness of management systems, especially the costs generated by changes in unit systems, the concept of institutional economics holds that while abandoning old systems to form new management contracts, certain cost inputs are required for the design, implementation, and supervision of new management systems. The costs generated during the construction and implementation of the system constitute the main part of the hidden system costs. The implementation and promotion of the system require coordination, cooperation, supervision and improvement from multiple departments of the unit, as well as persistence. This will inevitably consume a certain amount of time, manpower, and financial resources, resulting in hidden cost expenditures. Due to the relatively fixed policies, regulations, and systems formulated by the government in the short term, the hidden institutional cost is a cost that cannot be determined by the unit and is greatly influenced by the external environment, which remains unchanged in the short term. However, with the deepening of China's administrative management system reform, there are sufficient reasons to believe that the hidden institutional costs will continue to gradually decrease and ultimately reach a lower level.

2.2. Hidden Mechanism Cost

The cost of hidden mechanisms is mainly reflected in the outdated management mechanisms of the unit. For example, outdated management mechanisms lead to decision-making errors by senior management, resulting in increased unit costs, decreased efficiency, and weakened competitiveness, which affects the long-term development of the unit. There are unscientific, imperfect, and unreasonable rules and regulations, implementation measures, and allocation of rights and responsibilities in personnel, resource allocation, supervision, and incentives, which lead to unclear division of unit management institutions, overlapping of rights and responsibilities, resulting in cross rights, unclear responsibilities, chaotic management, low efficiency, unclear supervisory role, decision-making loopholes, and other phenomena. As a result, there are phenomena such as embezzlement, mutual shielding, and departmental buck passing, which unnecessarily consume costs in decision-making and daily management, and even decision-making errors caused by outdated mechanisms may bring significant economic losses to the country. Compared to the cost of invisible institutions, the cost of invisible mechanisms is influenced by the unit's own management mechanism and can be determined by the unit itself. Therefore, in accordance with the requirements of administrative management system reform and practical work needs, a unit's management mechanism should be continuously optimized, starting from several aspects such as functional transformation, relationship streamlining, structural optimization, and efficiency improvement, gradually achieving the management goals of consistent rights and responsibilities, reasonable division of labor, scientific decision-making, smooth implementation, and strong supervision, and ultimately reducing the cost of hidden mechanisms.

2.3. Friction Cost

The friction cost is specifically reflected in the management process, which is the cost incurred due to lack of cooperation, coordination, friction, contradictions, and even conflicts caused by departmental and interpersonal relationships. It is manifested as the time, energy, manpower, and intelligence costs in the process of cooperation and conflicts. The higher the degree of friction, the higher the cost expenditure. This is an additional cost in unit management, and the negative impact of friction on work and management. If there are differences and contradictions in work and daily interactions between employees, employees and leaders, or leaders and leaders due to differences in perspectives, positions, concepts, and personalities within the organization, which can lead to distrust, lack of cooperation, and lack of support, it may cause tension and complexity in interpersonal relationships within the organization,

resulting in invisible costs that cannot be ignored in unit management. These costs are difficult to estimate and have a significant impact on the harmonious, healthy, fair, and honest working atmosphere of the organization. The generation of friction costs is influenced by both objective factors, such as external policies and institutional environments, internal management mechanisms within the unit, and subjective factors among unit staff. However, the optimization of internal management mechanisms within the unit can reduce or weaken the influence of subjective factors, which are in a subordinate position. Along with the reduction of hidden institutional and hidden mechanism costs, there is often a decrease in friction costs.

2.4. Opportunity Cost

Opportunity cost refers to the cost difference caused by different timing in unit decision-making, when multiple choices and opportunities coexist or resources are scarce, and a resource is mainly used in one direction according to a certain goal, while neglecting the application in other directions. For example, in appropriate development opportunities, implementing correct decisions will greatly improve the management efficiency of the unit, increase benefits, and lower the cost paid. Any decision will have an opportunity cost, which is mainly influenced by factors such as decision criteria, decision objectives, decision-makers' preferences and insights, and decision mechanisms. Therefore, given a decision-making mechanism, effective performance management and administrative accountability systems, classification reform of public institutions, and optimization of internal management mechanisms can ensure the scientific and rational decision-making to a greater extent, thereby reducing opportunity costs.

3. The Main Sources of Hidden Costs

3.1. Decision Failure

Decision making is the most important part of unit management, which is the management strategy ultimately formulated by the leadership after careful analysis, consideration, and coordination. Decision making requires a high level of quality and ability from managers. If decision-making fails, it will cause confusion in unit management and even affect the authority of managers.

The main reasons for decision-making failure are the lack of sound internal incentive mechanisms and decision-making errors by managers. On the one hand, an inadequate internal incentive mechanism can seriously dampen the work enthusiasm and initiative of subordinates, and the decisions of managers cannot be recognized by subordinates, resulting in lax execution. Alternatively, the management and constraints of superiors on subordinates are insufficient, and in the actual execution process, they shift blame to each other, or the long-term development and overall benefits of the unit are ignored in pursuit of short-term benefits. The inadequate internal incentive policies lead to uneven internal distribution, a sense of unfairness, and a sense of failure to gain value recognition, which can affect employee initiative, resulting in low work efficiency and quality, and increased internal costs. On the other hand, it is necessary to start from the perspective of the managers themselves. If there are defects or loopholes in the decisions made by the managers, and even continuous errors occur in the operation and management process, it will affect the authority of the managers and even lead to the lack of a scientific and reasonable development strategy for the unit. Chaos in decision-making will lead to limitations in one's own development, resulting in increased opportunity costs due to improper decision-making timing.

3.2. Information Distortion

Unit management should ensure smooth communication within and outside the unit, as well as between superiors and subordinates. However, information distortion will inevitably hinder internal communication within the unit, thereby increasing communication and

communication costs. Information distortion is mainly due to the mismatch between the transmission and acquisition of information and the actual situation, which leads to units having to pay costs for inaccurate information in the management process. This is also an important reason for the emergence of hidden costs in unit management. The root cause lies in excessive processing or unauthorized tampering, delay, interception, etc. caused by conflicts of interest during the information transmission process. At the same time, external information distortion may cause the unit to be unable to obtain the true situation of the environment, resulting in the inability to realize the benefits of the unit's early management.

3.3. Negative Management Increases Costs

Negative management within the organization can also increase hidden costs. If there are many internal institutions, complex structures, overlapping and overlapping departmental interests, and competitive relationships within a unit, it is possible to focus on maintaining interpersonal relationships for the sake of interests and job competition, which may lead to vicious competition between departments. Overly focusing on local interests between departments can affect the overall situation, affect cooperation and coordination between departments, and hinder communication at the same level and between superiors and subordinates, thereby increasing communication costs, reducing work efficiency, and increasing management costs. The reasons for negative competition are insufficient information, loopholes in management mechanisms or systems, which affect the true judgment of superiors on subordinates, making it difficult for diligent employees to receive the expected rewards, while departments or individuals who are good at maintaining interpersonal relationships receive inappropriate feedback. This will affect the authority of the unit's reward mechanism, lead to the accumulation of negative emotions in subordinate departments, and thus affect work efficiency. It will also promote vicious competition and responsibility shifting among subordinate departments.

3.4. The Internal Cultural Atmosphere of the Unit is Not Perfect

The infiltration of unit culture into all aspects of unit management drives the efficiency and quality of unit management through implicit spiritual power, and constructs a soft management concept. It is a behavioral norm and cognitive concept formed by the consensus of most employees in the long-term development process of the unit, which has a huge impact on the values, career planning, life development, and willpower of unit employees. If a unit only focuses on short-term and actual benefits, neglects the construction and polishing of the humanistic environment and work ecology within the unit, and neglects the cultural connotations and spiritual experiences within the unit, it will lead to difficulties for employees to maintain consistency with the development of the unit from a spiritual and ideological perspective, lack of identification with the unit, on the one hand, it will cause employees to work less actively, lack confidence in the long-term development of the unit, and on the other hand, it will also lead to increased employee turnover and consume the unit's human resources. If a unit only focuses on short-term and actual benefits, neglects the construction and polishing of the humanistic environment and work ecology within the unit, and neglects the cultural connotations and spiritual experiences within the unit, it will lead to difficulties for employees to maintain consistency with the development of the unit from a spiritual and ideological perspective, lack of identification with the unit, on the one hand, it will cause employees to work less actively, lack confidence in the long-term development of the unit, and on the other hand, it will also lead to increased employee turnover and consume the unit's human resources.

4. The Path and Countermeasures for Resolving Hidden Costs in Management

4.1. Building a Scientific Cost Perspective

Firstly, units should have a correct understanding of hidden costs and measure unit cost expenditures using effective and ineffective costs. For unit cost expenditures, it is necessary to clarify the cost and the benefits realized. Effective cost is the necessary cost invested to increase or obtain profits for a unit, which is related to the unit's benefits. However, ineffective costs have no clear growth effect on the unit's profits and benefits.

Secondly, it is necessary to establish a scientific concept of all staff management. For a long time, the cost control of units has lacked the concept of full participation and full control, and lower level departments or individuals lack understanding of cost management, making it difficult to implement specific measures related to cost management. Therefore, unit managers should establish a cost management concept of full participation within the unit, allowing employees to clearly identify themselves as interest creators, cost controllers, and benefit sharers, achieving smooth communication between superiors and subordinates within the unit, and harmonious cooperation between departments at the same level. Combining professional cost control and employee participation in mass control, everyone should enhance their awareness of cost control and reduce the space and possibility of hidden costs.

Finally, determine the concept of cost control throughout the entire process. The development of a unit should be oriented towards a combination of long-term and sustainable development. Therefore, the unit should not only pursue maximum benefits, but also long-term benefits. In terms of cost control behavior, the proportion of hidden costs and explicit costs should be comprehensively determined, and prevention and control of hidden costs should be the focus of management. Emphasis should be placed on past, present, and future cost management behaviors in the management process to reduce the hidden costs caused by current behaviors to future management. In the current management process, it is necessary to have a global and long-term awareness, with a focus on reducing and controlling future cost expenditures. Emphasis should be placed on the explicit costs of expenditures in design, decision-making, production, sales, capital, and other links. More attention should be paid to the hidden costs caused by human resource management, hierarchical connections, and decision advancement.

4.2. Optimize Management Processes

Enhance the importance of cost management and make cost control a key focus of unit strategic management, especially by proposing the concept of hidden costs. The current waste and unnecessary expenses in some units are mainly due to a lack of understanding of current resource utilization, complex management processes, and complex institutions. Therefore, in the development process of the unit, it is necessary to innovate the unit management mechanism in accordance with the times and environmental changes, especially targeted reforms should be carried out to address phenomena such as non-standard management processes, imperfect management systems, and ineffective management behaviors. The responsibilities of different departments in cost management should be clarified, and the overall goals, phased goals, and local benefits of the unit in work and operation should be clarified. Invalid operations and repetitive measures within the unit should be eliminated. Unrelated and redundant institutions and processes should be resolutely banned. Once inefficiencies in the work process are found, they should be thoroughly rectified. At the same time, in order to eliminate hidden costs, it is necessary to innovate and optimize the current management system, achieve systematization, standardization, and professionalization of the management system, so that every link in the unit's workflow can be better connected and the unit's cost expenditure can be compressed.

4.3. Optimize Decision-making Mechanisms

The hidden costs caused by mechanisms are an important component of unit hidden costs, and scientific decision-making mechanisms are jointly determined by excellent decision-makers and sound decision-making procedures. Strengthening the implementation and promotion of decision-making also requires support from the management system of the unit. Firstly, the unit should assess and analyze the management level, decision-making level, and decision-making ability of decision-makers. Based on the changes in the internal and external environment of the unit's development, the unit should clarify the environment, market, information, industry, and policy elements in which it operates through scientific procedures; Secondly, introduce advanced scientific decision-making procedures, develop sound decision-making management methods, strengthen cooperation between units and specialized institutions, and build a scientific decision-making system. Finally, establish an internal supervision and constraint mechanism for decision-making, clarify the "rights, responsibilities, and interests" of each employee and department, starting from the grassroots level, to achieve clear rights and responsibilities, clear work content, reduce mutual buck passing, overlapping rights and responsibilities, and perfunctory responsibilities, so that reasonable decisions of the unit can be promoted and implemented as soon as possible.

4.4. Dynamic Cost Management

The cost accounting of a unit is often conducted at the end of a project or when actual explicit costs are incurred, and this accounting method is difficult to reflect implicit costs, making it difficult to comprehensively measure the profit and loss situation of a project or department through explicit costs and implicit costs. So the unit needs to reform the traditional cost control mechanism, clarify the composition of cost expenditures, no longer regard project profits and losses as the main criterion for cost control, but based on the concept of hidden costs, decompose the standard cost accounting method into phased cost control indicators during the project process, list the categories of explicit and implicit costs, construct dynamic cost control methods, compare cost expenditures at different development stages, sort out the factors that cause cost changes, and reflect hidden costs in the accounting process, so that hidden costs are no longer hidden, but can be reflected in specific ways.

4.5. Strengthen Internal Control Within the Unit

Establishing a sound and scientific internal control management system in the unit can effectively reduce information distortion. Through internal control management, enterprises distinguish the operational tasks and economic benefits of their units, thereby building a sound information transmission mechanism, expanding information acquisition channels, and constructing a sound information dissemination path. The information transmission process is carried out as an independent work item, allowing decision-makers to obtain real, effective, and timely data information, strengthening information construction within the unit, reducing human interference factors, and maximizing the authenticity and accuracy of information.

4.6. Strengthen the Construction of Human Resources in Units

On the one hand, units should strengthen human resource construction, enhance personnel management effectiveness, set scientific and reasonable job positions based on the unit's business tasks, development concepts, and industry fields, establish a sound mechanism for introducing, cultivating, and promoting human resources, and build a growth concept of coordinated development between the unit and employees. For example, in the process of job setting, it is necessary to avoid personnel and job complexity, achieve one person, one position, and avoid duplicate positions and unclear responsibilities.

On the other hand, it is necessary to build a sound, scientific, fair and transparent incentive policy, stimulate the enthusiasm and participation of employees, and make them identify with

the management mechanism and work atmosphere of the unit, so as to realize personal value in a fair, open, and harmonious atmosphere. Unit managers need to clarify that although the amount of compensation directly affects the work efficiency of employees and the cost consumption in their work, the fairness of compensation distribution can also have a significant impact on the work and management behavior of employees. To make employees feel a sense of belonging to the company, it is necessary to measure their work level, deserved rewards, honors, etc. through fair, open, and transparent incentive policies. Incentive policies should not only be clear, but also establish a matching work performance evaluation system and an effective supervision and evaluation system, so that the efforts and achievements of each employee can be objectively and fairly evaluated. Based on detailed evaluation, reasonable rewards should be given according to the contribution of employees to avoid talent loss and ensure the construction of the unit's human resources echelon.

Finally, the unit should adhere to the people-oriented concept, establish a system for employee knowledge training, job learning, and further education, respect talents, improve their abilities and qualities, and focus on introducing high-quality professional talents. Especially, attention should be paid to the management of knowledge flow within the unit. Based on the overall improvement goals of employees, a mechanism for sharing information resources within the unit should be constructed to ensure the continuous accumulation of knowledge capital within the unit, improve the overall level of employees, and promote the improvement of work efficiency among employees in different positions.

4.7. Strengthen the Construction of Unit Culture

Excellent culture is the main spiritual force for the sense of belonging and honor of employees within a unit. Unit culture is not only reflected in slogans and propaganda, but is internalized in the hearts of employees and permeated into all aspects of work. It is a deep refinement of the overall value orientation of employees and the unit, and a development policy that achieves the construction and sharing of a community of interests based on common interests and goals. Therefore, in the construction of unit culture, the first step is to integrate cost management into cultural construction, so that employees can understand the various elements of cost management from the fields of knowledge and spirit, and clarify their obligations and responsibilities in cost control; Secondly, it is necessary to strengthen the construction of connotation. Managers should lead by example, strengthen the construction of unit culture and spiritual civilization, form a good working atmosphere, communication mechanism, and information exchange system. Through cultural construction, employees should strengthen their sense of responsibility, enhance their recognition of the overall interests and long-term development goals of the unit, and make the unit a platform for employees to develop and achieve themselves. This will promote employees to improve work efficiency, complete work tasks, and reduce hidden cost expenditures under the guidance of common interests.

In summary, in the management of administrative institutions in the new era, hidden cost control runs through the entire process of work. Strengthening effective management of hidden costs can promote the sustainable development of units. Units must also incorporate hidden costs into the overall management system, form long-term development strategies, and eliminate hidden costs in unit management from decision-making, information, human resources, culture, and systems.

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