

# Transformation of Contemporary Cost Management Paradigms: A Systematic Literature Review from Strategic and Value-Based Perspectives

Shera Nabila Luvianingtias<sup>1</sup>, Rahayu Lestari<sup>2</sup>, Nur Fahmuiddin Hanif<sup>3</sup>, Heni Noviarita<sup>4</sup>, Romlah<sup>5</sup>

<sup>1</sup> Pasca Sarjana Universitas Islam Negeri Raden Intan Lampung; nabilashera775@gmail.com

<sup>2</sup> Pasca Sarjana Universitas Islam Negeri Raden Intan Lampung; rahayulestar08@gmail.com

<sup>3</sup> Pasca Sarjana Universitas Islam Negeri Raden Intan Lampung; fahmudinhani91@gmail.com

<sup>4</sup> Pasca Sarjana Universitas Islam Negeri Raden Intan Lampung; Heninoviarita@radenintan.ac.id

<sup>5</sup> Pasca Sarjana Universitas Islam Negeri Raden Intan Lampung; Romlah@radenintan.ac.id

## Article history

Submitted: 2026/02/01; Revised: 2026/03/11; Accepted: 2026/04/25

## Abstract

This study examines the transformation of contemporary cost management paradigms within the context of an increasingly dynamic and digitalized business environment, where cost management is no longer limited to operational control but evolves into a strategic tool for value creation and sustainable competitive advantage. The purpose of this research is to analyze how cost management has shifted toward strategic and value-based approaches and to integrate various contemporary perspectives into a comprehensive conceptual framework. This study employs a qualitative approach using a Systematic Literature Review (SLR) method by analyzing peer-reviewed articles published between 2021 and 2026 from reputable databases, following PRISMA guidelines to ensure validity and transparency. The findings indicate a significant transition from traditional costing to strategic cost management, supported by digital transformation that enhances real-time data processing, accuracy, and decision-making quality. Additionally, the evolution of Activity-Based Costing (ABC) and the adoption of value-based cost management approaches contribute to improved efficiency, identification of value-added activities, and strengthened organizational performance. In conclusion, contemporary cost management has become a strategic, technology-driven, and value-oriented system that plays a crucial role in enhancing competitiveness and ensuring long-term organizational sustainability.

## Keywords

Contemporary Cost Management; Digital Transformation; Strategic Cost Management; Systematic Literature Review; Value-Based Management



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## INTRODUCTION

The increasingly dynamic global business environment encourages organizations to transform cost management paradigms. Cost management is no longer viewed merely as operational cost control but has evolved into a strategic instrument for value creation and sustainable competitive advantage. Digitalization, global competition, and efficiency demands require adaptive cost management approaches aligned with strategic environments. Recent studies indicate that modern organizations integrate cost management with business strategy to enhance long-term performance and stakeholder value (Kaplan & Anderson, 2007). This transformation reflects a shift from traditional accounting approaches toward strategic and value-oriented cost management.

In contemporary paradigms, cost management emphasizes value creation through integration of operational activities, organizational strategy, and data-driven decision-making. Concepts such as Strategic Cost Management and Value-Based Management have become dominant approaches in modern management literature. Organizations adopting strategic cost management demonstrate improved process efficiency, higher managerial decision quality, and stronger financial performance outcomes (Nuhu et al., 2022). Consequently, cost management functions not only as an evaluation mechanism of past performance but also as a forward-looking strategic planning tool supporting organizational sustainability.

Despite the rapid development of cost management studies, the literature reveals conceptual fragmentation between traditional cost accounting approaches and strategic value-based perspectives. Many studies still examine cost management partially by focusing on production cost control without linking it to comprehensive organizational value creation. Recent review studies emphasize the necessity of systematic synthesis integrating contemporary cost management perspectives into a holistic conceptual framework (Taticchi et al., 2021). This condition highlights the importance of employing a systematic literature review approach to map paradigm transformation comprehensively.

However, previous research still demonstrates methodological and conceptual limitations. Numerous empirical studies concentrate on specific cost management techniques without adequately evaluating their relevance within digital transformation and value-based economic environments. Furthermore, sectoral research approaches limit integration among strategic cost management, sustainability, and value creation perspectives. Literature critiques suggest that the

failure to align cost management practices with organizational strategic perspectives reduces their contribution to long-term competitive advantage (Bhimani et al., 2022). Therefore, systematic literature reviews are required not only to synthesize existing findings but also to critically evaluate the direction of contemporary cost management paradigm development.

Based on these considerations, this study aims to analyze the transformation of contemporary cost management paradigms through a systematic literature review from strategic and value-based perspectives. The novelty of this study lies in integrating diverse cost management approaches into a comprehensive conceptual framework emphasizing the relationship between cost efficiency, organizational strategy, and long-term value creation. This research is expected to contribute to theoretical development while providing practical insights for organizations seeking adaptive and sustainable cost management practices in an increasingly complex global business environment (Bromwich & Scapens, 2016).

## **METHODS**

This study employs a qualitative approach using the Systematic Literature Review (SLR) method to analyze the transformation of contemporary cost management paradigms from strategic and value-based perspectives. This approach was selected because it enables researchers to synthesize knowledge comprehensively regarding the development of concepts, theories, and practices of modern cost management derived from various scientific studies. A Systematic Literature Review provides transparent, replicable, and evidence-based research procedures capable of mapping the evolution of management accounting paradigms systematically (Yuntika & Kesuma, 2025). Furthermore, this approach is relevant for understanding the shift in cost management roles from historical recording functions toward strategic organizational decision-making.

The type of research applied in this study is library research based on systematic literature analysis. This research does not collect field data but examines reputable national and international journal articles discussing cost management, strategic cost management, and value-based cost management. Systematic literature studies allow integration of various conceptual approaches such as target costing, value engineering, lean accounting, and digital analytics, which represent the main characteristics of contemporary cost management practices. In addition, this method facilitates identification of research trends, research gaps, and future directions of cost management paradigm development (Nugraha, 2025).

Data collection techniques were conducted through literature searches in reputable scientific databases, including Scopus, Web of Science, ScienceDirect, SpringerLink, and Google Scholar. The search strategy applied keywords such as *cost management, strategic cost management, value-based management, and systematic literature review*. Selected articles fulfilled inclusion criteria consisting of: (1) peer-reviewed journal articles, (2) publications within the 2021–2026 period, (3) relevance to contemporary cost management paradigm transformation, and (4) availability in English or Indonesian language. The literature selection process followed the PRISMA guidelines to ensure validity, transparency, and reliability in systematic review research (Barbosa et al., 2026)

Data analysis was conducted using thematic analysis and narrative synthesis techniques. The analytical stages included identification of major themes, coding of cost management concepts, categorization of strategic approaches, and interpretation of value-based paradigm developments. This analysis aims to generate conceptual integration explaining how cost management has transformed from operational efficiency orientation toward organizational value creation and sustainability. Previous studies indicate that modern cost information functions not only as a control mechanism but also as a strategic instrument supporting decision quality improvement and organizational innovation (Leusder et al., 2022).

The research framework is presented in the form of a conceptual map or research diagram, illustrating the systematic literature review process. The framework begins with identification of problems related to cost management paradigm transformation, followed by literature searching, article screening using the PRISMA procedure, thematic analysis based on strategic and value-based perspectives, and synthesis of research findings. This framework adopts systematic literature mapping principles emphasizing relationships among theory, methodology, and research contributions to contemporary cost management knowledge development (Silalahi & Kesuma, 2025).

## **FINDINGS AND DISCUSSION**

### **The Paradigm Shift from Traditional Costing to Strategic Cost Management in an Organizational Value Perspective**

The shift from traditional costing to strategic cost management (SCM) arises from the limitations of conventional cost systems in addressing modern business complexity. Traditional approaches tend to focus on static and historical allocation of production costs, making them less effective in supporting strategic decision-making.

In a global competitive environment, organizations require cost information that is relevant, accurate, and activity-based to enhance competitiveness. Studies indicate that SCM addresses these weaknesses by providing more precise cost information while simultaneously supporting efficiency and quality improvement (Rounaghi et al., 2021).

Furthermore, this transformation is driven by the need to integrate cost management with organizational strategy. SCM functions not only as a cost control tool but also as a strategic instrument that links operational decisions with long-term corporate objectives. This approach emphasizes value chain analysis, identification of cost drivers, and evaluation of a firm's competitive position. As a result, cost is no longer viewed merely as an element to be minimized but as a source of competitive advantage that can be managed strategically (Rounaghi et al., 2021).

From the perspective of organizational value, SCM evolves toward a value creation approach. Recent studies highlight that modern cost management must align with stakeholder interests and focus on long-term value creation. The integration of techniques such as Activity-Based Costing with strategic approaches enables organizations to optimize resource allocation while enhancing stakeholder value. This indicates that the primary focus has shifted from cost efficiency alone to contributions toward both economic and social value (Mpanza et al., 2025).

Moreover, this paradigm shift is influenced by increasingly dynamic and technology-driven business environments. Traditional approaches face difficulties in accurately allocating costs within complex production systems, leading to the emergence of methods such as value stream costing, which are more adaptive. These methods allow organizations to better understand the relationship between cost and value, particularly in the context of operational flexibility and evolving customer demands (Ozcalici et al., 2025).

Finally, the transition to SCM marks a movement from a cost-oriented perspective to a broader and more sustainable value-oriented approach. Recent literature shows that cost management is now integrated with sustainability, innovation, and multi-stakeholder value concepts. This evolution even leads to the notion of systemic value management, where cost is positioned as part of the overall organizational value creation system. Thus, SCM serves as a central framework in supporting long-term performance and organizational sustainability in the modern business era (Margherita et al., 2022).

### **Integration of Digital Transformation in Contemporary Cost Management Systems**

The integration of digital transformation into contemporary cost management systems emerges as a direct response to increasing business complexity and the demand for data-driven efficiency. This transformation not only reshapes operational processes but also reconstructs how organizations manage, measure, and control costs. Technologies such as big data, cloud computing, and artificial intelligence enable organizations to generate real-time and more accurate cost information compared to conventional approaches. This strengthens managerial capacity in data-based decision making and enhances overall cost transparency (Y. Li et al., 2024)

Furthermore, digital integration drives a shift from static cost systems toward dynamic and adaptive cost management. In this context, cost management no longer focuses on historical reporting but emphasizes predictive analysis and continuous cost control. Studies indicate that digital transformation can reduce cost stickiness through process automation and optimized resource allocation. As a result, organizations can respond more flexibly and efficiently to fluctuations in activity levels (M. Li et al., 2024)

Moreover, digitalization reinforces the integration of cost management with the value chain. The implementation of digital systems enables cost monitoring across all stages of business processes, from production to distribution. This approach improves the accuracy of identifying cost drivers and accelerates value-based strategic decision making. Empirical research in manufacturing firms shows that digital transformation can reduce costs across the value chain while significantly enhancing organizational competitiveness (Pan et al., 2025).

In addition, digital transformation contributes to improved operational efficiency through automation and system integration. The use of digital technologies in cost management reduces processing time, increases the accuracy of cost recording, and shifts human resources from administrative tasks to strategic activities. This strengthens the role of cost management as a decision-support tool rather than merely a recording mechanism (Shinde, 2025).

Finally, the integration of digital transformation in cost management is closely associated with improved financial performance and organizational sustainability. Digitalization reduces financing costs by enhancing information transparency, strengthening governance, and minimizing information asymmetry risks. Therefore, digitally driven cost management is not only oriented toward internal efficiency but also toward long-term value creation. This transformation highlights that contemporary cost management systems must be adaptive, technology-driven, and strategically integrated within modern business ecosystems (Liu & Dang, 2025).

## **The Evolution of Activity-Based Costing (ABC) as a Value-Based Strategic Tool for Decision-Making**

The evolution of Activity-Based Costing (ABC) reflects a significant shift from a conventional cost accounting method to a value-based strategic tool. Initially, ABC was developed to address cost distortions inherent in traditional costing systems, which relied heavily on production volume as the primary allocation basis. ABC introduces an activity-based approach, where costs are traced according to resource consumption by specific activities, resulting in more accurate and relevant cost information. This development is crucial in modern business environments that demand transparency and precision in cost management (Quesado & Silva, 2021).

Furthermore, ABC has evolved into a tool that enhances the quality of managerial decision-making. By identifying cost drivers more precisely, ABC supports management in pricing decisions, cost control, and profitability improvement. Recent studies indicate that the implementation of ABC significantly improves cost accuracy and directly contributes to better organizational performance and more effective strategic decisions (Usman et al., 2025).

From a value-based perspective, ABC functions not only as a cost calculation tool but also as a mechanism to identify value-added and non-value-added activities. This enables organizations to eliminate inefficiencies and optimize resource utilization. Literature findings confirm that ABC contributes to improved operational efficiency and financial performance through more targeted and activity-based cost management (Fadiyah & Machdar, 2025).

Moreover, the evolution of ABC is evident in its integration with digital systems and modern management approaches. ABC is increasingly combined with information technology to enhance the speed and accuracy of cost analysis. This integration enables real-time cost evaluation and supports more responsive decision-making in dynamic business environments. As a result, ABC strengthens its role as a strategic instrument in contemporary cost management systems (Harahap et al., 2025).

Finally, ABC has evolved into a broader strategic management framework, often integrated with performance-based and results-oriented approaches. In practice, ABC is frequently combined with other methods to improve decision-making effectiveness and value creation. This indicates that ABC is no longer merely a technical tool but a strategic instrument that enhances competitiveness and organizational sustainability in the modern business landscape (Chikara et al., 2025).

## **A Value-Based Cost Management Approach to Enhancing Competitive Advantage and Organizational Performance**

A Value-Based Cost Management (VBCM) approach has emerged in response to the need for organizations to not only reduce costs but also create sustainable value. This approach positions cost as part of value creation strategy rather than merely a control mechanism. Organizations integrate cost efficiency with quality, innovation, and customer satisfaction. Studies show that value-based strategic cost management enhances competitiveness by providing relevant cost information to support business strategy (Rounaghi et al., 2021).

Furthermore, VBCM plays a crucial role in enhancing competitive advantage by optimizing the relationship between cost and quality. Techniques such as value engineering and target costing enable organizations to design products at optimal cost without reducing customer value. Empirical evidence indicates that value-based approaches improve production efficiency while strengthening a firm's competitive position in the market (Al-Zubaid & Radi, 2022).

In practice, VBCM encourages organizations to identify and eliminate non-value-added activities. This is achieved through comprehensive analysis of business processes and activities, allowing more effective resource allocation. Recent studies confirm that strategic cost management techniques reduce costs while improving product quality, which directly contributes to competitive advantage (Hussein, 2024).

Moreover, the integration of VBCM with modern costing techniques such as Activity-Based Costing and target costing strengthens strategic decision-making. This combination produces more accurate and relevant cost information for pricing, profitability management, and market strategy development. Research shows that integrating modern costing techniques significantly improves financial performance and competitive positioning (Abbas, 2025).

Finally, VBCM has a direct impact on overall organizational performance. It not only improves cost efficiency but also enhances product quality, innovation, and operational flexibility. In dynamic business environments, organizations that adopt value-based cost management are more adaptive and capable of sustaining long-term competitive advantage. Therefore, VBCM serves as a strategic framework that links cost efficiency with sustainable value creation for stakeholders (Prawiranegar & Wijaya, 2025).

## CONCLUSION

Based on the four main discussions in the article, it can be concluded that the transformation of contemporary cost management paradigms reflects a fundamental shift from traditional approaches focused on cost control toward strategic, value-based approaches integrated with organizational goals and competitive advantage creation; this is marked by the emergence of strategic cost management that links cost with strategy and value creation, strengthened by the integration of digital transformation which enables real-time, adaptive, and data-driven cost management, thereby improving efficiency and decision-making quality; furthermore, the evolution of Activity-Based Costing (ABC) has transformed it from merely a cost accounting tool into a strategic instrument for identifying value-added activities and enhancing organizational performance; and overall, the implementation of value-based cost management is able to optimize the relationship between cost, quality, innovation, and customer satisfaction, thus not only improving operational efficiency but also strengthening competitiveness and long-term organizational sustainability.

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