

# ***Research on Cost Control in Financial Management of Multinational Enterprises***

## ***--Taking Kimberly-Clark Corporation as an Example***

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**Abstract:** Known worldwide as a leading maker of paper towels and supplier of household and personal care products, Kimberly-Clark adopts a comprehensive cost control method. This method covers the entire business process, from product design, production, sales, to customer support, and also focuses on streamlining operational costs in different countries and regions. Importantly, the company skillfully manages currency fluctuations, reducing their influence on operational costs through flexible currency hedging tactics and strong risk management systems. In addition, Kimberly has achieved significant economic benefits by optimizing supply chain management, reducing procurement costs and transportation costs. Therefore, this research explores the cost reduction strategies used in the financial management of multinational companies, taking Kimberly-Clark as an example for a thorough analysis. The successful experience of Kimberly-Clark shows that by developing and implementing effective cost control strategies, companies can better deal with the difficulties of external economic environment and the cost pressure of internal operations.

**Keywords:** Financial management, multinational enterprises, cost control, Kimberly-Clark corporation.

## **1. Introduction**

In the era of globalization, multinational corporations have become important players in the global economy, operating their businesses on a global scale and influencing politics, economy and society through their global networks and diversified business portfolios. Due to the wide scope of international business, multinational corporations face unique challenges in financial management, especially in cost control. Effective cost control is the key for multinational corporations to maintain competitive advantage and maximize profits. According to the research by WUBo[1], common cost control methods include supply chain optimization, automation upgrade, outsourcing, process standardization, inventory management, and human resource optimization, aiming to reduce costs through efficiency improvement and waste reduction. The purpose of this study is to explore the management cost strategy of multinational corporations, and to analyze the actions of Kimberly-Clark Corporation (hereinafter referred to as Kimberly-Clark Corporation) with the method of case study. This paper can provide prediction and inspiration for other multinational enterprises in the future

development. With the acceleration of globalization and the intensification of market competition, multinational enterprises may need to pay more attention to the refinement, intelligence and globalization of cost control in order to adapt to the new market environment.

## **2. Overview of Financial Management of Multinational Enterprises**

### **2.1. Characteristics of Financial Management of Transnational Corporations**

The financing channels of multinational corporations are diverse. According to Yu's description of the improved financing mechanism in the United States, overseas enterprises could raise funds from both the home country of subsidiaries and the home country of headquarters, as well as from the international capital or financial markets [2]. Therefore the financial activities of multinational corporations are closely connected with the international financial market, and they rely on the international financial market in financing, investment, capital allocation and other aspects. Additionally, the tax policy of each country differs widely, Penkovsky et al. studied the accounting and analysis of labour remuneration and its taxation, and multinational corporations are required to undertake tax planning to minimize the tax burden according to the tax policy of each country. Moreover, multinational corporations also have the characteristics of dual management, which not only maintain the effective control of subsidiaries, but also give subsidiaries a certain degree of autonomy to cope with local market changes [3].

### **2.2. The Role of Cost Control in Financial Management**

Cost control is an important means to improve economic efficiency of enterprises. Jiang introduced the importance of minimizing the cost of time and space, and enterprises can reduce unnecessary cash outflows through effective cost accounting and cost control, thus ensuring that sufficient funds are invested in key areas [4]. By formulating a reasonable cost budget can effectively reduce the cost of production, sales and other aspects of the process, while increasing profit margins, thus achieving the goal of profit maximization. Businesses can lower the per-unit product cost by incorporating new technologies and refining their production procedures. This approach not only reduces expenses but also fosters cost reduction through relentless enhancement and ingenuity. At the same time, Y Tu et al examined the correlation between mindfulness and job performance in multinational corporations, indicating that cost control can also serve as a lubricant for the coordination of inter-departmental relationships within an enterprise [5]. Corporations must undertake meticulous management and strategic planning in the utilization of their resources, including human capital, materials, and financial assets. This requires vigilant stewardship to ensure that resources are directed towards areas of maximal return. By consistently refining and optimizing production workflows, organizations can bolster production efficiency, minimize employee turnover, and enhance supply chain orchestration.

## **3. Overview of the Multinational Operation of Kimberly-Clark Corporation**

### **3.1. Company Profile**

Kimberly stands as the preeminent global producer of tissue products and holds the second-largest position in the US market for family and personal care products, while also being a pioneering force in the healthcare industry. With manufacturing operations in 37 nations, the company's products reach over 150 countries and regions, generating an annual revenue exceeding \$18 billion. US dollars. Kimberly-Clark's famous brands such as Shujie, Scott, Curiosity, Pull-Ups, Kao Jiesi and Depend occupy an important position in the global market.

### **3.2. Transnational Operation Status**

From a global perspective, Kimberly has production facilities in 35 countries and regions, products are sold to more than 175 countries and regions[6]. This international network demonstrates Kimberly-Clark's extensive influence and competitiveness in the global market.

Kimberly-Clark has demonstrated great adaptability and effectiveness in the Asian market, especially in the Chinese market. Kimberly-Clark's marketing strategy in the Chinese market includes upgrading the localization strategy and successful product innovation. In addition, Kimberly-Clark strengthens its manufacturing and sales capabilities in South America by building a new plant in Brazil. Kimberly's European business has undergone some tweaks. The company has decided to pull out of the diaper market in Western and Central Europe, with the exception of Italy, and to divest or abandon low-margin businesses such as toilet paper. This shows that Kimberly-Clark in some areas may pay more attention to the optimization of resource allocation and profitability.

## **4. Challenges and Countermeasures of Cost Control in the Transnational Financial Management of Kimberly-Clark Corporation**

### **4.1. Exchange Rate Fluctuations**

Lu and others pointed out that tax differentials and different dividend rates have a significant impact on the decisions of multinational companies [7]. Take Kimberly-Clark in the Chinese market for example. the appreciation of the renminbi against the dollar, which is the main currency of settlement, reduces the price competitiveness of the company's products. In the face of future exchange rate fluctuations, Kimberly-Clark Company has adopted a variety of plans and strategies to further protect its financial position and market position. In response to currency risks, according to Kimberly-clark 2022 Annual Report[6], Kimberly-Clark plans to gradually increase the proportion of renminbi-denominated loans and closely monitor currency trends and foreign exchange positions in banking relationships, using derivative financial instruments to hedge some of its exposure over the next 12 months, and to hedge currency risks by trading its debt and securities in foreign currencies.

To deal with the risk of exchange rate fluctuations in multinational operations, enterprises need to adopt a variety of strategies for a comprehensive response to ensure the financial stability of the enterprise and the sustainable development of the business, including hedging with financial derivatives, diversified currency settlement to reduce the dependence on a single currency, and consider the exchange rate compensation mechanism in contract terms and cross-border RMB settlement.

### **4.2. Supply Chain Management Cost**

Kimberly-Clark further reduces costs by optimizing supply chain management and logistics strategies, and Lee et al. described the relationship between supply chain activities and supply chain risk management [8]. Kimberly-Clark's OEM VMI project with JD shifts warehouse functions from JD has resulted in a transformation of warehousing responsibilities, transferring them from JD's facilities to those of the supplier. This strategic shift streamlines the distribution process, reduces unnecessary storage and redistribution activities, and results in annual savings exceeding 13,000 hours in operational efficiency. Under the VMI model, supply chain information flows are more transparent, ensuring continuity and stability of supply while reducing inventory levels [9]. Kimberly's cooperation with Jingdong also includes the redesign of distribution lines[10], such as the implementation of the green logistics project of "Shanghai and Nanjing Warehouse Distribution" in East China, which can significantly reduce the distribution mileage by splitting the domestic SKUs in customer orders and directly distributing them to Nanjing DC. Venkatesh Mani and others have

proved that they can achieve tangible performance benefits by focusing on improving the social sustainability of the supply chain [11].

In multinational operations, supply chain management involves coordinating suppliers, manufacturers, distributors and end customers. It is essential for companies to establish a global supply chain network and to use technology to optimize inventory management and logistics in order to ensure that the entire process of product delivery, from raw material procurement to final delivery to customers, is efficient and cost-controlled.

#### **4.3. Raw Material Price Volatility**

In formulating a cost reduction strategy, a company should adopt a comprehensive review of its cost structure and identify the drivers of costs, thereby ensuring that costs are effectively managed and reduced without compromising the quality of its products or services. The FORCE project, launched by Kimberly-Clark in 2004, is a global, overall cost reduction program that works with R&D to promote innovative packaging designs and reduce the use of packaging materials and consumables as a means of achieving cost savings through material savings without compromising the quality of the product. By the conclusion of 2022[6], the FORCE initiative had achieved economies of scale amounting to \$290 million, which represented roughly 15 percent of the organisation's net earnings achievable during that time frame. Besides, during 2018 Kimberly-Clark initiated a worldwide restructuring program focusing on optimizing their manufacturing supply chains and refining their organizational frameworks in order to cut expenses even more. According to Kimberly-clark 2021 Annual Report, a reconstruction was accomplished, including the shutdown or sale of 11 manufacturing plants, and boosting the output capabilities of chosen remaining facilities at the same time. Furthermore, the organization has divested itself from businesses with slim profit margins, which represented about 1% of total net sales. An expected result of the worldwide restructuring initiative is a yearly reduction in expenses, amounting to between \$540 million and \$560 million. Kimberly-Clark implements an overall system for cost management, which is supported by the BPCS software integrated into its ERP system. This system embraces a variety of operations, including financial, manufacturing, purchasing, and commercial activities, and ensures immediate data handling, offering strong assistance for managing costs. Moreover, the company remains vigilant to fluctuations in raw material prices. From the analysis of Ghosh et al. on the impact of raw material prices on stock prices, it is recognized that the prices of major raw materials (e.g., oil and pulp) for products in the home and personal hygiene care industry are highly influenced by fluctuations in the international market [12-13]. Therefore, Kimberly-Clark has established procurement centers across multiple regions globally. Through centralized procurement and long-term collaboration with suppliers, the company can achieve a multitude of benefits that not only simplify operational processes but also enhance their competitive edge in the market.

#### **4.4. Technological Innovation and R&D**

Technological innovation is the power source of sustainable development of enterprises. Through technological innovation, enterprises can optimize production processes, improve production efficiency, reduce costs, and thus enhance profitability. With the continuous advancement of science and technology, the market demand and competitive landscape are constantly changing. Only by continuous innovation can enterprises adapt to this change and maintain the ability of sustainable development.

Based on the principle that science and technology are the first productive forces, Kimberly-Clark has consistently been an innovation pioneer within the tissue and hygiene products industry, with its flagship products such as toilet rolls, feminine hygiene products, and kitchen towels setting industry

benchmarks, and recently, facial tissues with antiviral functions have been developed. [14] Furthermore, the company has invested over USD 100 million in establishing a state-of-the-art R&D center. To maintain its products' competitive, Kimberly-Clark iteratively updates its core technologies every three months and invests hundreds of millions of dollars annually in new product development[15]. The Breakthroughs in ASIC technology have made the company as a global leader in the WCDMA area, reflecting Kimberly-Clark's continued pursuit of product innovation to satisfy market demands and enhance product quality. At the 31st Household Paper International Science and Technology Exhibition, Kimberly-Clark demonstrated how it meets consumer needs through product innovation and shared its experience in sustainable development. Additionally, Kimberly-Clark employs promotional activities to optimize sales performance across different product categories[16]. Drawing from Juselius's introduction of VAR modeling and its applications, Kimberly-Clark (China) leveraged VAR modeling to analyze the impact of promotional efforts on sales performance across various categories, based on the 2017 Annual Report [17]. The analysis revealed that both price discounts and advertising promotions positively contribute to sales growth, and this positive effect intensifies with the intensification of promotional efforts. This stresses Kimberly-Clark's commitment not only to investing in product innovation but also to giving a detailed analysis and optimization of its marketing strategies.

## 5. Conclusion

The study takes Kimberly-Clark as a case example, delving into the challenges and strategies of cost control in the financial management of multinational enterprises. The findings indicate that Kimberly-Clark has adopted a multitude of effective strategies in addressing the cost control challenges inherent in its transnational operations. It is important to note that while Kimberly-Clark serves as a representative case among multinational corporations, different industries and enterprises of varying scales may confront distinct challenges and necessitate tailored strategies in cost control.

Due to limitations in data accessibility, this study may not fully encapsulate all the intricate details and the most recent developments in Kimberly-Clark's cost control practices. To address this gap, future research could employ quantitative analytical methods to quantitatively assess the effectiveness of cost control measures in multinational enterprises, thereby providing a more precise reflection of the actual outcomes achieved through these strategies. This method would enrich our understanding of the nuances and dynamics of cost control in the global business landscape.

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