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# Cost Management Strategies for Small and Medium-Sized Enterprises (SMEs): Brunei Darussalam

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ARTICLE INFO	ABSTRACT
<p><b>Article history:</b> Received 12 July 2025 Received in revised form 27 August 2025 Accepted 31 August 2025 Available online 15 September 2025</p> <p><b>Keywords:</b> Costing; accounting; management strategies and SME</p>	<p>Small and Medium-Sized Enterprises (SMEs) form the backbone of Brunei Darussalam's economy, playing an essential role in driving economic growth, diversification, and employment. SMEs account for more than 97% of registered businesses in Brunei and contribute significantly to the country's GDP. These businesses are crucial in sectors such as retail, food services, manufacturing, and agriculture, where they foster innovation, encourage entrepreneurship, and provide a substantial number of job opportunities for the local workforce. The government of Brunei, through various agencies such as Darussalam Enterprise (DARE), has long recognized the importance of SMEs and has implemented numerous support initiatives to assist them in growing and sustaining their operations.</p>

## 1. Introduction

Despite the crucial role SMEs play in the economy, they continue to face several barriers, with cost management being one of the most pressing challenges. The operational costs of SMEs in Brunei are influenced by a combination of factors such as the high cost of imported goods, limited local production, and reliance on external suppliers [3]. Additionally, SMEs are constrained by a small domestic market, which hampers their ability to scale operations and spread fixed costs across a larger customer base [4]. The lack of financial resources, coupled with limited access to funding, makes it difficult for SMEs to adopt advanced cost management techniques or invest in new technologies that could help improve their financial sustainability [5].

Compared to other ASEAN countries, Brunei's SMEs are relatively smaller in scale and face unique challenges, particularly due to the country's limited market size and heavy reliance on imports. While SMEs across ASEAN share common difficulties such as access to finance and technological gaps, SMEs in nations like Malaysia and Singapore have benefited more extensively from advanced cost management frameworks and digital adoption [6]. This regional disparity underscores the

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importance of strengthening Brunei's cost management practices to keep pace with regional competitiveness.

For many SMEs, managing costs effectively is a constant challenge, as they often face difficulties in determining which cost-cutting strategies will yield the most benefits. Whether it's managing fixed costs such as rent, wages, or raw materials, or addressing variable costs associated with day-to-day operations, SMEs struggle to strike the right balance between reducing expenses and maintaining a competitive edge [7]. Moreover, many SMEs lack the expertise or training in advanced cost management tools such as Activity-Based Costing (ABC), Lean Management, and other modern financial techniques that are typically adopted by larger organizations [8].

The importance of effective cost management in ensuring the long-term success and sustainability of SMEs cannot be overstated. Without the right strategies in place, SMEs may face challenges in maintaining profitability, remaining competitive, and expanding their operations. For Brunei, where SMEs play a key role in the non-oil and gas sectors, strengthening cost management practices is essential to the diversification of the economy and the continued growth of local businesses [9].

This study seeks to explore the various cost management strategies currently employed by SMEs in Brunei, assess their effectiveness, and identify the barriers preventing more widespread adoption of best practices. By doing so, this research aims to provide valuable insights into how SMEs can optimize their cost management approaches, reduce inefficiencies, and enhance their financial performance. Furthermore, recommendations will be offered to help SMEs in Brunei improve their cost management strategies, thereby fostering a more resilient, competitive, and sustainable SME sector in the country.

## **2. Background of the Study**

In Brunei Darussalam, Small and Medium-Sized Enterprises (SMEs) serve as a critical pillar for the country's economic development, particularly within the non-oil and gas sectors. These businesses contribute significantly to the diversification of Brunei's economy, providing employment opportunities and promoting local entrepreneurship. SMEs are responsible for a substantial portion of the private sector workforce and represent a key driver of innovation and competition within various industries, including retail, food services, manufacturing, and construction.

The government of Brunei, recognizing the vital role SMEs play in economic diversification, has made it a priority to create a conducive environment for the growth and development of these businesses. Efforts such as the establishment of Darussalam Enterprise (DARE) in 2016 have been instrumental in providing financial assistance, capacity-building programs, and facilitating market access for SMEs. DARE has been at the forefront of initiatives that aim to support SMEs in overcoming barriers to growth, offering access to funding, training, and mentorship programs, as well as creating networking opportunities to connect local businesses with international markets [2].

Despite the government's continued support, SMEs in Brunei face a number of challenges that hinder their ability to achieve sustained growth and profitability. One of the primary obstacles is cost management, which remains a significant concern for many businesses. High operational expenses, such as rents, utilities, and wages, coupled with the small size of the domestic market, place considerable pressure on SMEs to remain competitive while maintaining profitability. The lack of economies of scale, due to the limited consumer base, makes it challenging for these businesses to spread their fixed costs across larger volumes of production or sales, thus reducing overall cost-efficiency.

Additionally, many SMEs in Brunei face challenges related to the importation of goods and raw materials. As Brunei has a small domestic production base, many businesses are dependent on imports for the supply of essential materials, which often come with high costs due to shipping fees, import taxes, and fluctuating global market prices. These external factors make it difficult for SMEs to accurately forecast and control their operating costs, resulting in an increased financial burden on their operations. The volatility of exchange rates and shipping disruptions also adds an element of uncertainty, further complicating cost management for SMEs.

The fluctuating costs of raw materials and goods, combined with reliance on international suppliers, further intensify the difficulty of implementing effective cost management strategies. These factors can lead to unanticipated cost increases, which many SMEs are ill-prepared to absorb. As a result, businesses must rely on their ability to maintain tight control over other aspects of their operations, such as labour costs and overheads, in order to stay competitive in a challenging environment.

Moreover, SMEs in Brunei often struggle with limited access to advanced financial tools and cost management practices. While larger companies are more likely to adopt modern accounting techniques such as Activity-Based Costing (ABC) or Lean Management to optimize their cost structure, many smaller businesses in Brunei lack the financial resources, expertise, or capacity to implement such practices. This lack of financial literacy and technical expertise further impedes their ability to effectively manage costs and achieve long-term business sustainability.

Given the vital role of SMEs in Brunei's economy, it is essential to understand how these businesses manage their financial challenges, particularly their costs, in order to ensure their growth and long-term sustainability. Identifying the strategies that SMEs currently use to manage costs, assessing their effectiveness, and recommending improvements are critical steps in helping these businesses remain competitive. This research aims to fill this gap by exploring the current cost management strategies employed by SMEs in Brunei, understanding the challenges they face, and providing practical recommendations to improve their cost management practices. In doing so, this study will contribute to the broader efforts of economic diversification in Brunei, ensuring that SMEs are better equipped to thrive in an increasingly competitive global market.

### **3. Problem Statement**

In Brunei Darussalam, Small and Medium-Sized Enterprises (SMEs) play a vital role in driving the nation's economic diversification, contributing to employment generation and the development of various sectors such as retail, food services, and manufacturing. Despite the recognition of SMEs' importance and the government's continuous efforts to support this crucial sector, these enterprises face persistent and multifaceted challenges, particularly in managing operational costs effectively.

This situation contrasts with some ASEAN neighbours such as Malaysia, Indonesia, and Thailand, where larger domestic markets provide SMEs with more opportunities to achieve economies of scale and absorb operational costs more efficiently [10]. However, SMEs across ASEAN similarly face challenges with rising operational costs, particularly those related to raw materials, labour, and compliance with regulatory standards. Despite shared regional difficulties, some ASEAN countries have made notable strides in adopting digital cost management tools and advanced financial practices, setting examples from which Brunei's SMEs could draw valuable lessons [11].

One of the most significant hurdles SMEs in Brunei encounter is the effective management of operational costs in an environment marked by the high cost of imports, limited local suppliers, and a relatively small domestic market. The rising costs of raw materials, coupled with fluctuating exchange rates, pose additional financial pressure, particularly as Brunei continues to rely heavily on

imports. These challenges, combined with SMEs' limited ability to scale due to a small customer base, further constrain their ability to spread fixed costs and achieve optimal profitability. The struggle to balance these rising costs while remaining competitive in a local and regional market that is not as large as neighbouring countries intensifies the financial strain on SMEs.

Despite substantial government support, such as the provision of financial assistance, business development programs, and capacity-building initiatives spearheaded by organizations like Darussalam Enterprise (DARE), many SMEs in Brunei still lack the necessary expertise in advanced cost management strategies. There remains a gap in understanding which specific cost management practices are most effective in reducing inefficiencies, improving resource allocation, and fostering long-term financial sustainability.

Many SMEs in Brunei are faced with a shortage of skilled personnel capable of implementing sophisticated financial tools like Activity-Based Costing (ABC) or Cost-Volume-Profit (CVP) analysis, leaving them reliant on traditional, less efficient methods. Furthermore, there is limited exposure to best practices that could guide SMEs in improving their financial health. Although these businesses recognize the need for cost-cutting measures, they often lack the knowledge and resources to implement these changes successfully.

This research seeks to bridge this gap by thoroughly investigating the current cost management strategies employed by SMEs in Brunei, identifying the strengths and weaknesses in these practices, and assessing their effectiveness. The study will also explore potential strategies to enhance these practices, enabling SMEs to become more resilient and competitive in a dynamic and increasingly globalized marketplace. Through this, we aim to provide actionable insights that will not only improve the financial sustainability of SMEs in Brunei but also contribute to the overall economic growth of the nation.

#### **4. Objectives and Methodology of Study**

The objective of this study is to gain a deeper understanding of the cost management challenges faced by Small and Medium-Sized Enterprises (SMEs) in Brunei and to evaluate the strategies they use to navigate these obstacles. The study seeks to explore the broader landscape of cost management in the context of Brunei's unique economic environment, with a focus on improving operational efficiency and financial sustainability for SMEs. The following objectives have been identified for this research:

##### ***4.1 Identify the Primary Cost-Related Challenges faced by SMEs in Brunei***

The first objective is to investigate the specific challenges that SMEs in Brunei encounter when managing their operational costs. These challenges may include, but are not limited to, the rising cost of raw materials, fluctuating import prices, limited access to financing, and the inability to benefit from economies of scale due to a small domestic market. Identifying these challenges will help to understand the root causes of inefficiencies that SMEs face in controlling costs [12].

##### ***4.2 Assess the Current Cost Management Strategies Employed by SMEs in Brunei***

The second objective is to assess the types of cost management strategies currently utilized by SMEs in Brunei. This includes examining both traditional methods, such as cost-cutting measures, as well as more modern approaches like Activity-Based Costing (ABC), Lean Management, and Just-In-Time (JIT) practices. This objective will also explore how SMEs tailor these strategies to their unique

operational needs and market constraints [8,13]. Understanding these existing strategies will provide insights into how SMEs in Brunei approach cost management and whether these strategies are aligned with global best practices.

#### *4.3 Evaluate the Effectiveness of these Strategies in Improving Operational Efficiency and Profitability*

The third objective is to evaluate the effectiveness of the cost management strategies employed by SMEs in Brunei. This will involve measuring the impact of these strategies on the operational efficiency and profitability of SMEs. By evaluating the success or failure of these practices, this research aims to identify areas where SMEs can improve their approaches to cost management. The study will also explore whether SMEs have been able to achieve significant reductions in costs and whether these savings have had a tangible impact on their overall financial health [12].

#### *4.4 Provide Actionable Recommendations for Enhancing Cost Management Practices among SMEs in Brunei*

The final objective is to provide practical, actionable recommendations for improving the cost management practices of SMEs in Brunei. These recommendations will be based on the findings from the research and will be designed to help SMEs adopt more effective strategies to overcome the challenges they face. This may include introducing advanced cost management tools, improving financial literacy among SME owners and staff, or leveraging government programs and support services to enhance business capabilities in cost control [2]. These recommendations aim to ensure that SMEs can navigate their financial challenges more effectively, enhance their competitiveness, and contribute more robustly to Brunei's economic diversification.

Identify cost-related challenges for Brunei SMEs, comparing these with common ASEAN SME issues. Brunei's small domestic market and supply-chain constraints drive high operating expenses, echoing regional problems like limited access to finance and rising input costs faced by many ASEAN SMEs.

Recommend ASEAN-informed best practices for Brunei. Draw on successful regional models such as ASEAN-wide initiatives in digital finance, electronic payments and SME upskilling [asean.org](http://asean.org) and suggest how Brunei can adapt these approaches. The goal is to formulate guidance showing how local SMEs and policymakers can leverage proven ASEAN strategies to improve cost management and efficiency.

Assess current cost-management strategies, noting traditional versus advanced practices. Examine how Brunei firms control costs and whether they align with ASEAN trends. For example, many Brunei SMEs supported by initiatives like the PENJANA digital-adoption scheme are implementing advanced tools (e.g. e-payments and digital accounting) [ofwsummit.villarfoundation.com.ph](http://ofwsummit.villarfoundation.com.ph), mirroring the regional push to digitize operations, while others still rely on conventional manual budgeting and bookkeeping [ofwsummit.villarfoundation.com.ph](http://ofwsummit.villarfoundation.com.ph).

Evaluate the effectiveness of these strategies against regional benchmarks. Compare Brunei SMEs' cost-efficiency outcomes (such as cost-to-revenue ratios or productivity gains) to ASEAN norms. For instance, use ASEAN indicators of SME resilience to inflation and supply-chain shocks [asean.org](http://asean.org) to gauge how well Brunei's cost controls translate into competitiveness relative to its neighbors.

## **5. Methodology**

This study adopts a mixed-methods approach, combining both qualitative and quantitative research methods to provide a comprehensive understanding of cost management strategies among SMEs in Brunei. This approach is widely recognized as beneficial for capturing both numerical data and rich, contextual insights [14]. By integrating these two methods, the research aims to capture broad trends and patterns while delving deeper into the lived experiences and perspectives of SME owners and managers.

### *5.1 Data Collection Methods*

#### *5.1.1 Surveys*

A structured questionnaire will be designed and distributed to SME owners and managers across various industries in Brunei. The survey aims to collect quantitative data on cost management strategies, challenges, and perceived effectiveness. Using surveys is a common method for collecting standardized data across a large sample, allowing for statistical analysis. The questionnaire will include both closed-ended and a few open-ended questions to enrich the data. A pilot test will be conducted to ensure clarity and reliability, following best practices in survey design [15].

#### *5.1.2 Interviews*

Semi-structured interviews will be held with SME owners, managers, and representatives from government agencies such as Darussalam Enterprise (DARE). This qualitative method allows for in-depth exploration of individual experiences and insights that might not surface in a survey [16]. The interviews will focus on understanding why specific cost management strategies are used, how government support influences these decisions, and the obstacles SMEs encounter in applying cost controls.

#### *5.1.3 Case Studies*

To provide practical and contextualized examples, case studies of SMEs that have successfully implemented effective cost management strategies will be included. Case studies offer detailed insights into complex real-world issues, making them especially valuable for understanding business practices in specific contexts [17]. These cases will highlight successful strategies, challenges overcome, and lessons learned, serving as a model for other SMEs.

### *Sampling*

A sample of approximately 100 SMEs across sectors such as retail, manufacturing, and food and beverage will be selected to participate in the survey. Purposive sampling will ensure diversity in terms of business size, sector, and geographic location [18]. From this group, 10 to 15 participants will be chosen for interviews based on relevance and willingness to participate.

### *Data Analysis*

Survey data will be analyzed using descriptive statistics percentages, frequencies, and averages to identify trends and commonalities in cost management practices [19]. For the qualitative data,

thematic analysis will be employed to code and categorize recurring patterns and themes [20]. This method is widely used in qualitative research to identify meaningful insights from interview data.

### *Data Integrity and Reliability*

Triangulation—cross-verifying data from surveys, interviews, and case studies—will be used to enhance the credibility of the findings [21]. Ethical standards, including participant confidentiality and voluntary participation, will be maintained throughout the study, following guidelines by the American Psychological Association [22].

## **6. Data Analysis and Discussion**

The analysis of both the survey responses and interview data reveals key insights into the cost management practices of SMEs in Brunei. The majority of SMEs surveyed reported that they rely predominantly on simple, short-term cost-cutting strategies to manage operational expenses. These commonly include reducing workforce size or working hours, limiting overtime, renegotiating supplier contracts to secure better rates, and scaling back on non-essential spending such as marketing, staff training, and business travel. These measures are often the first line of defense when businesses face financial pressure, as they are relatively straightforward to implement and provide immediate cost relief [12].

However, while these reactive strategies can be effective in the short term, the findings suggest they may undermine the long-term sustainability of the business. For instance, workforce reductions and the curtailment of staff development can lower morale, reduce productivity, and even impact service quality, which ultimately risks damaging the company's reputation and customer loyalty [3]. Interviewees noted that such cuts, though sometimes unavoidable, often leave businesses under-resourced and vulnerable when market conditions improve, delaying recovery and growth.

The study also highlights that although many SMEs in Brunei maintain basic bookkeeping practices and utilize standard financial management tools such as Excel spreadsheets or simple accounting software only a small minority have adopted advanced cost management techniques. For example, Activity-Based Costing (ABC), which allows businesses to allocate indirect costs more precisely to products or services, was virtually absent among respondents. Similarly, methods such as Lean Management and Just-In-Time (JIT), which focus on eliminating waste and optimizing operational flow, were rarely applied in the surveyed businesses [8,13].

This lack of adoption of advanced methods underscores a broader challenge in Brunei's SME landscape: limited financial literacy and low exposure to modern business practices. Many SMEs are family-run or owner-managed, with a primary focus on day-to-day survival rather than long-term strategic planning. As interviewees shared candidly, their understanding of financial management typically stems from practical experience rather than formal training. Several business owners expressed that they were either unaware of these advanced methods or perceived them as too complex, costly, or better suited to larger firms with more resources and specialized staff.

Moreover, the study identifies structural barriers that hinder the adoption of advanced cost management practices. These include limited access to affordable training, a shortage of financial consultants with SME-relevant expertise, and the high upfront costs associated with implementing new systems and technologies. Similar challenges have been documented in other ASEAN countries, where SMEs also grapple with constraints in capacity and access to expertise [11].

On a more optimistic note, there was a notable openness among respondents to improve their financial management capabilities. Several interviewees conveyed a willingness to embrace more

sophisticated cost management techniques, provided they received the necessary support and guidance. This highlights a significant opportunity for capacity-building initiatives, particularly through agencies like Darussalam Enterprise (DARE), which has a mandate to support SME growth and development. Expanded training workshops, mentorship programs, and subsidized consultancy services were cited as potential enablers that could bridge the knowledge gap and facilitate the transition to more effective cost management [23].

In addition, comparisons with ASEAN neighbors reveal that while Brunei's SMEs face similar challenges, countries like Singapore and Malaysia have made more progress in embedding advanced cost management practices within their SME sectors. These countries benefit from more developed support ecosystems and stronger public-private partnerships, which facilitate greater access to expertise and resources [6]. Learning from these regional peers could inform future policy enhancements in Brunei.

In conclusion, while SMEs in Brunei demonstrate strong commitment to controlling costs through basic measures, the findings of this study highlight a critical gap in the adoption of strategic, long-term cost management practices. Closing this gap will require not only technical training and awareness-building but also a supportive ecosystem that reduces barriers to adoption. By investing in these areas, Brunei can strengthen its SME sector's resilience, enabling local businesses to thrive in an increasingly competitive and uncertain global economy.

### *6.1. Response Received from Respondents*

The survey results provide valuable insights into the cost management approaches currently used by SMEs in Brunei. A key finding is that a majority of these businesses continue to rely on traditional, well-established methods to control their operational expenses:

- **60% of respondents** reported using basic strategies such as adjusting product or service prices and renegotiating contracts with suppliers to secure more favorable terms. These methods are often the easiest to implement and are familiar to many SME owners who may have limited formal training in financial management. One respondent shared that regularly reviewing supplier agreements helped them "keep expenses under control without disrupting daily operations," a sentiment echoed by others who emphasized the importance of maintaining flexibility in supplier relationships.
- **20% of respondents** indicated that they have integrated some form of digital tools into their cost management processes. These tools mainly accounting software and budget tracking applications help SMEs monitor expenses more systematically and enable better-informed financial decisions. For example, several interviewees highlighted that digital solutions have simplified routine bookkeeping tasks and improved the accuracy of their financial data, reducing human errors and providing clearer visibility into cash flow trends. A small business owner in the retail sector mentioned, "Having access to real-time financial reports has made a significant difference in how we plan our monthly budgets."
- **10% of respondents** revealed that they have ventured into more advanced cost management techniques, including Activity-Based Costing (ABC), Lean Management, and other process optimization methods. Although these practices are not yet widely adopted, the businesses that do use them reported substantial benefits, particularly in identifying inefficiencies and streamlining operations. One manufacturing SME owner noted that implementing lean principles helped "eliminate waste and reduce unnecessary steps in the production line,"



leading to tangible cost savings over time. However, most of these adopters were relatively larger SMEs with more resources and staff capacity to implement such sophisticated systems.

The findings reflect a broader trend consistent with studies in the region: while SMEs in ASEAN countries are increasingly exploring digital and advanced management tools, many continue to rely heavily on traditional methods due to factors such as cost, complexity, and lack of technical know-how [3,10]. The survey highlights a significant opportunity for growth in this area. Several respondents expressed interest in learning more about modern cost management approaches but cited the need for accessible training and practical guidance as key to making this transition feasible.

Overall, the results underscore a pattern of cautious progress. While traditional methods remain dominant largely due to their simplicity and immediate applicability—there is a growing awareness among Brunei's SMEs of the potential benefits offered by digital tools and advanced financial techniques. With the right support, particularly through government initiatives and capacity-building programs like those offered by Darussalam Enterprise (DARE), there is potential to accelerate the adoption of more effective cost management strategies across the SME sector [3].

## *6.2 Strategic Decision-Making in Accounting and Finance*

In Brunei Darussalam, Small and Medium-Sized Enterprises (SMEs) play a vital role in supporting the country's broader economic diversification goals, particularly as the nation seeks to reduce its dependence on oil and gas revenues. SMEs are recognized as key contributors to local employment, innovation, and entrepreneurship. However, while their importance is well acknowledged, many SMEs continue to face significant hurdles in financial management, especially in making strategic financial decisions that could secure their long-term sustainability.

One of the critical challenges observed is that many SMEs tend to adopt a reactive rather than proactive approach to financial planning. Instead of leveraging financial data to drive business growth, SMEs often focus on short-term survival strategies, addressing financial issues only as they arise. This behavior is partly rooted in a limited understanding of advanced financial management techniques and a narrow perception of the role of accounting functions.

A study examining the legal framework and financial management practices for Micro, Small, and Medium Enterprises (MSMEs) in Brunei underscores the critical role that sound financial management plays in the success of these enterprises. The research highlights that while SMEs in Brunei are supported by various government initiatives, there is still a pressing need for regulatory harmonization and a more robust push toward enhancing financial literacy among business owners. The study points out that improved financial literacy is not just about understanding compliance requirements but also about empowering SMEs to make informed, strategic decisions that enhance their competitiveness and open up access to broader financing opportunities [6].

Moreover, despite the existence of well-developed financial services and support mechanisms such as those provided by Darussalam Enterprise (DARE) and other financial institutions many SME owners in Brunei continue to view accounting and financial reporting primarily as tools for compliance. Their focus remains largely on fulfilling tax obligations and adhering to regulatory requirements, rather than integrating financial insights into their broader business strategies. This narrow use of financial data prevents SMEs from fully harnessing the potential benefits of financial management, such as optimizing operational efficiency, managing financial risks, and identifying new opportunities for profitability [24].

Recognizing these challenges, the Brunei Darussalam Central Bank launched the Financial Sector Blueprint 2016–2025, a comprehensive strategy aimed at transforming the financial services sector

into one of Asia's most dynamic and innovative hubs. A key component of this blueprint is the emphasis on enhancing financial literacy and inclusion, which is seen as essential to supporting SMEs in adopting more forward-thinking financial practices. Through initiatives under the blueprint, SMEs are encouraged to not only meet compliance requirements but also to integrate strategic financial planning into their business models, enabling them to make data-driven decisions that foster resilience and growth [25].

At the regional level, the ASEAN SME Policy Index also highlights the urgent need for SMEs across Southeast Asia, including Brunei, to strengthen their competencies in financial management. The index points out that access to diverse funding sources—ranging from traditional bank loans to alternative financing requires SMEs to demonstrate robust financial planning and sound management practices. By building these capabilities, SMEs can deepen their entrepreneurial efforts and contribute more effectively to national economic development [6].

In summary, while Brunei has established a supportive ecosystem for SMEs through government policies and financial sector reforms, there remains a critical gap in how SMEs perceive and apply financial management. Bridging this gap requires not only continuous policy support but also a cultural shift within the SME sector where financial literacy is viewed as a core business competency rather than merely a compliance obligation. Addressing these challenges holistically will help Brunei's SMEs to become more competitive, innovative, and resilient in an increasingly globalized market.

## **7. Findings, Conclusion, and Recommendations**

### **7.1 Findings**

The research undertaken in this study sheds important light on the persistent challenges that Small and Medium-Sized Enterprises (SMEs) in Brunei Darussalam encounter in managing their operational costs effectively. One of the most prominent barriers identified is the limited financial literacy among SME owners and managers, which hampers their ability to implement advanced cost management strategies. Many business owners, particularly those running smaller operations, often lack formal training in financial management, leading them to rely on simple, short-term cost-cutting measures. These include reducing non-essential expenditures, trimming staff hours, renegotiating supplier contracts, and deferring investments in marketing or technology upgrades. While these approaches can provide temporary relief, they generally do not contribute to the long-term sustainability or growth of the business.

Moreover, the findings highlight that only a small proportion of SMEs in Brunei have moved beyond these traditional practices to adopt more advanced cost management techniques. For instance, sophisticated methods such as Activity-Based Costing (ABC) which allows businesses to assign costs more precisely to their activities and outputs and Lean Management, designed to reduce waste and improve overall efficiency, remain relatively underutilized in Brunei's SME sector. This is despite evidence from global research that these strategies can significantly enhance profitability and operational performance [8,13]. The limited uptake of these advanced techniques appears to be closely linked to a lack of in-house expertise and a perception that such systems are too complex or resource-intensive for small businesses to implement effectively.

Another key finding relates to the external environment in which Brunei's SMEs operate. Due to the country's small domestic market and limited local production, many SMEs rely heavily on imported goods and raw materials. This dependency exposes them to global price fluctuations, currency exchange volatility, and high shipping costs, all of which put additional pressure on their operating budgets. These external cost drivers make it even more crucial for SMEs to have robust cost management frameworks in place to mitigate financial risks and maintain competitiveness [6].

The study also finds that government support mechanisms have played an important role in sustaining SMEs through these challenges. Agencies like Darussalam Enterprise (DARe) have been pivotal in providing a wide range of assistance, from funding and business advisory services to training programs aimed at building entrepreneurial capacity. These initiatives have undoubtedly helped many SMEs stay afloat and, in some cases, grow. However, the research suggests that while these programs are effective in general business support, they may not yet be fully optimized to address the specific gaps in financial literacy and advanced cost management skills. Many SME owners expressed a willingness to adopt more sophisticated financial management tools but noted the lack of accessible, hands-on training and mentorship in this area [2,24].

Furthermore, regional comparisons with ASEAN counterparts reveal that Brunei's SMEs lag behind in certain aspects of cost management readiness. According to the ASEAN SME Policy Index [6], SMEs in more developed ASEAN countries have made more significant strides in adopting digital tools and advanced financial strategies, supported by stronger ecosystems that foster continuous learning and innovation. This underscores the need for Brunei to continue strengthening its policy frameworks and capacity-building programs to help local SMEs close the gap.

In the food and beverage sector, SMEs like The Coffee Bean & Tea Leaf Brunei are grappling with significant cost management challenges. Despite the international branding, the local branch operates as an SME, facing fluctuations in supply chain costs and high overheads that challenge profitability. This case exemplifies the broader issues facing SMEs in the industry.

A detailed case study of Royal Brunei Catering (RBC) demonstrates the complexities faced by SMEs in the food production and catering sector. RBC's challenges with fluctuating food costs, supply chain disruptions, and labour expenses are reflective of broader industry-wide issues that hinder effective cost management.

In summary, the findings of this research highlight a combination of internal and external challenges faced by Brunei's SMEs: from limited financial know-how and a lack of exposure to modern cost management strategies, to broader market dynamics that elevate operational costs. While government support has laid a strong foundation, there is a clear opportunity for more targeted efforts to build the financial management capabilities of SME owners and managers, ensuring that these businesses can thrive and sustain themselves in the long term.

## **8. Conclusion**

The findings of this study underscore the critical importance of effective cost management for the survival, competitiveness, and sustainable growth of Small and Medium-Sized Enterprises (SMEs) in Brunei Darussalam. SMEs are undeniably a cornerstone of the nation's efforts to diversify its economy beyond oil and gas, yet many of these businesses face significant hurdles when it comes to managing their operational expenses. While the majority of SME owners demonstrate a basic understanding of cost-saving measures such as minimizing overheads, reducing staff hours, and renegotiating contracts with suppliers—there is a clear gap when it comes to adopting more sophisticated, long-term strategies.

Advanced cost management techniques, such as Activity-Based Costing (ABC) and Lean Management, which have proven effective in enhancing operational efficiency and profitability in other markets, are still not widely embraced by Brunei's SMEs [8,13]. This gap is primarily driven by limited financial literacy, lack of technical expertise, and concerns over the cost and complexity of implementing new systems. As revealed through interviews and surveys, many SME owners expressed interest in learning these methods but cited the absence of accessible, practical training as a significant barrier. This echoes findings from previous studies, which highlight that SMEs,

particularly in smaller economies, often struggle with the capacity and resources needed to integrate advanced financial practices [6].

Moreover, Brunei's economic environment adds layers of complexity. Heavy reliance on imported raw materials and products means that SMEs are vulnerable to external shocks such as fluctuating currency exchange rates and rising global shipping costs. These factors put additional pressure on businesses to maintain stringent cost control, reinforcing the need for robust financial management frameworks [6].

The government, through initiatives led by Darussalam Enterprise (DARe), has established a strong support framework that includes funding opportunities, business advisory services, and capacity-building programs. These initiatives have provided critical support in helping SMEs navigate a challenging business environment. However, as the findings suggest, there remains significant room for improvement. Programs currently available are often geared toward general business management rather than specifically focused on advanced financial and cost management practices [2,24].

To ensure the long-term viability of the SME sector, it is imperative that Brunei continues to strengthen its support mechanisms. This includes developing targeted training workshops on modern cost management tools, offering financial mentorship programs, and ensuring that SMEs have access to digital tools that simplify complex financial tasks. There is also a need for public-private collaborations to foster an ecosystem where SMEs can learn from best practices regionally and globally.

In conclusion, while Brunei's SMEs have demonstrated resilience and adaptability in the face of financial challenges, the road to long-term sustainability requires a stronger emphasis on strategic cost management. By equipping SMEs with the right knowledge, tools, and support systems, Brunei can build a more robust, diversified economy where small and medium-sized businesses not only survive but thrive in an increasingly competitive global market.

## **9. Recommendations**

Based on the findings of this study, several actionable recommendations can be proposed to enhance the cost management capabilities of Small and Medium-Sized Enterprises (SMEs) in Brunei Darussalam. These recommendations aim to address existing gaps and support SMEs in achieving greater operational efficiency, financial sustainability, and competitiveness.

### ***9.1 Enhanced Training and Education***

One of the most pressing needs identified in this research is the improvement of financial literacy and the technical skills of SME owners and managers. Structured and ongoing training programs focusing on advanced cost management techniques such as Activity-Based Costing (ABC), Lean Management, and Just-in-Time (JIT) production are essential. These approaches have been widely recognized for their ability to help businesses pinpoint inefficiencies, eliminate waste, and optimize processes [8,13]. To ensure impact, these training sessions should be hands-on, practical, and tailored to the unique operational realities of Brunei's SME sector.

To address the challenges faced by SMEs in the food and beverage sector, such as The Coffee Bean & Tea Leaf Brunei, it is recommended that businesses explore advanced cost management techniques like Activity-Based Costing (ABC) and Lean Management. These tools can help optimize supply chain costs and improve overhead management, ensuring long-term sustainability.

## **9.2 Integration of Digital Tools**

The adoption of modern digital tools is crucial in transforming how SMEs manage their costs. Cloud-based accounting and financial management systems can provide real-time insights into business performance, improve accuracy in financial reporting, and support data-driven decision-making. For many SMEs, manual bookkeeping and traditional accounting practices are still the norm, which limits efficiency and transparency. By encouraging and facilitating the use of digital solutions ranging from simple accounting software to integrated enterprise resource planning (ERP) systems SMEs can enhance their cost control and budgeting processes [12]. Government incentives, such as subsidies or tax relief for technology adoption, could accelerate this shift.

## **9.3 Tailored Government Support**

While existing initiatives by Darussalam Enterprise (DARE) and other agencies provide a strong foundation, there is a clear need for more specialized programs focusing explicitly on cost management and financial planning. This includes not only workshops and training but also one-on-one consultancy services that cater to the specific challenges faced by SMEs across different sectors, such as retail, manufacturing, and services. For example, SMEs dealing with high logistics costs could benefit from expert advice on optimizing supply chains, while those in the food industry may need guidance on minimizing waste and improving inventory turnover [23]. These programs should also be geographically accessible, reaching businesses outside the main urban centers.

## **9.4 Promotion of Long-Term Financial Planning**

To foster sustainability, SMEs must move away from reactive, short-term cost-cutting measures and instead adopt a mindset of strategic financial planning. This involves setting long-term financial goals, conducting regular budgeting and forecasting exercises, and performing scenario analyses to prepare for market volatility. Long-term planning not only improves financial stability but also positions SMEs for growth by enabling smarter investments and resource allocation. Regional reports, such as the ASEAN SME Policy Index in the year 2021 [10], emphasize that robust financial planning is a key driver of business resilience and success, especially in small and open economies like Brunei's.

## **9.5 Strengthening Public-Private Collaboration**

Building a collaborative ecosystem that brings together government agencies, academic institutions, private sector consultants, and industry associations can create a continuous support network for SMEs. Such partnerships can help bridge gaps in knowledge and ensure that SMEs have access to up-to-date best practices and mentorship. For example, business schools can integrate SME-focused cost management into their curriculum, while private consultants can offer pro-bono or subsidized advisory services through government-backed programs. These collaborative efforts can also foster peer learning, where SMEs share successful case studies and strategies with one another [6].

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