The Impact of Cost Leadership Strategy on the Development of High-Quality Businesses

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Abstract. Based on the 2015-2021 Chinese A-share listing data, this paper empirically investigates the impact of cost leadership strategy on the level of high-quality development of enterprises and its mechanism of action, in combination with the cost leadership strategy index at the enterprise level. Cost leadership strategy is found to have a significant positive impact on the level of high quality business development, and this finding still holds after robustness testing using multiple methods. Mechanistic analyses show that funding constraints negatively moderate the relationship between cost leadership strategy on firms' level of high quality development. In contrast, firms' growth positively moderates the relationship between cost leadership strategy on the firms' high-quality development level. As per heterogeneity analysis, high-tech companies that frequently use big data technology, high-tech companies, and companies with a moderate percentage of management shareholding all see an increase in their firms' high-quality development levels as a result of the cost leadership strategy. The research in this paper is instructive for how better enterprises can promote the adoption of cost leadership strategy for the high-quality development of enterprises.

Keywords: Cost leadership strategy, the Development of High-Quality Businesses, Financing constraints, Growth.

1. Introduction

Under the background of economic globalization, enterprise high-quality development [1] is an essential topic of common concern in the current business and academic circles. In the competitive market environment, enterprises must continuously improve their core competitiveness and comprehensive strength if they want to be invincible, and high-quality development is one of the keys to success. In order to achieve the goal of high quality business development sustainable development and maximize long-term value, which requires enterprises to make progress and enhancement in several aspects. Firstly, enterprises must focus on product and service quality and continuously improve customer satisfaction and brand reputation to win market share and customer trust. Secondly, enterprises must strengthen technological innovation and research and development capabilities and launch more innovative and differentiated products or services to meet the changing market demand. In addition, enterprises also need to focus on financial management and risk control [2] and maintain a sound financial position and good credit rating to ensure the company's high quality development financial security and risk control. On this basis, the strategies adopted by enterprises to achieve high-quality development of enterprises have been widely concerned.

In the practice of high-quality development of enterprises, enterprises have a lot of specific measures to learn from in many different aspects: In quality management, enterprises can reduce costs and enhance competitiveness by establishing a scientific quality management system, strengthening internal management, and process optimization, and improving production efficiency and product quality, etc.; in talent cultivation, enterprises need to pay attention to talent cultivation and team building, to create a high-quality, cohesive staff team, and to provide a suitable environment for enterprises to achieve high-quality development. In terms of talent cultivation, enterprises should focus on talent cultivation and team building to create a high-quality and cohesive workforce to provide talent protection for the long-term development of the enterprise; in terms of sustainable development, enterprises should strengthen the supply chain management and partnership [3] to

ensure the stability and reliability of the supply chain to protect the sustainable development of the enterprise. However, the critical role of cost leadership strategy for enterprises to obtain competitive advantage and thus achieve high-quality development must be addressed. In the global economic situation of decline and uncertainty increase, the enterprise adopting the cost leadership strategy can improve the competitiveness of the enterprise by reducing the Cost so that the enterprise has more advantages in the market competition; the exact cost leadership strategy can reduce the loss of the enterprise by reducing the Cost, to help the enterprise to reduce the risk to improve the viability of the enterprise; in addition, the enterprise through the implementation of the cost leadership strategy, to reduce the Cost, to In addition, by implementing the cost leadership strategy [4], enterprises reduce costs to improve the economic efficiency of enterprises, so that enterprises have more advantages in the market competition. In conclusion, in the context of the global economic downturn and increased uncertainty, the cost leadership strategy can help enterprises to improve competitiveness, reduce risks and improve efficiency, thereby promoting the development of high quality businesses. Enterprises can reduce costs and improve market competitiveness by adopting a cost leadership strategy to implement scientific strategic planning and effective cost control.

In conclusion, cost leadership is a crucial tactic used by businesses to gain a competitive edge. The literature on the cost leadership approach for the high-quality growth of firms, however, is still in its infancy and has not yet come to a consensus. Because of this, the purpose of this paper is to empirically examine the impact of cost leadership strategy on the level of high quality business development and its intrinsic mechanism from the perspective of the result of cost leadership strategy based on the degree of excellent development firms by using unbalanced panel data of Chinese A-share listed manufacturing firms from 2015 to 2021.

The possible marginal contributions of this paper are (1) Based on the reality that a cost-leading strategy will reduce costs and increase efficiency, and expand the economic scale of enterprises, this paper conducts theoretical analysis and empirical tests from the perspectives of the size of financing constraints and the size of the space of enterprise growth and draws the research conclusion that cost-leading strategy will promote the level of high-quality development of enterprises. (2) This paper incorporates financing constraints and the Growth of enterprises into the theoretical analysis framework of cost leadership strategy affecting the level of high-quality development of enterprises, which enriches the relevant literature on the impact of the implementation of cost leadership strategy on the level of high-quality development of enterprises under the economy of scale. (3) Heterogeneity analyses reveal that the increase in the high-quality development level of enterprises with more frequency of using big data technology, high-tech enterprises, and not too high management shareholding is more significant for cost leadership strategies. These findings provide new theoretical references for enterprises to formulate scientific and reasonable cost leadership strategies, strengthen internal management and process optimization, and reduce costs in order to share the effect on the increase of profit and share in the market under cost leadership strategies, etc.

2. Theoretical analysis and research hypotheses

This paper proposes that enterprises' adoption of a cost leadership strategy mainly affects the two facets of the high-quality growth of companies growth and financing constraints of enterprises[5] under the influence.

Cost leadership strategy refers to the enterprise's internal by improving their degree of cost control, reasonably reducing the cost of each operating link of the cost of expenditure, and ultimately improving the overall operating conditions of the enterprise, and in the industry gradually formed a strong competitiveness of the competitive strategy, and ultimately the cost leadership into the benefits of the leading [6]. Implementing cost leadership means enterprises can provide products or services at lower prices in the competition to obtain more market share. This increase in market share can lead to more sales and profits [7], which supports the firm in achieving high-quality growth.

The growth of a firm can contribute to high-quality growth by influencing the cost leadership strategy: To begin with, The higher the growth of the firm, the more sales revenue the firm has, which can provide more capital to support the expansion and development of the firm. [8] These funds can be used to invest in new production lines, research and development of new products, expansion of sales network, and so on, thus promoting the development of the enterprise. Besides, the higher the growth of an enterprise, the greater the market demand for the enterprise, which can promote the enterprise to improve its products and services and increase customer satisfaction continuously. Through continuous improvement of products and services, the enterprise can reduce production costs and improve product quality, thus further expanding market share and increasing the growth of the enterprise. Last but not least, the higher the growth of the enterprise, the stronger the market competitiveness of the enterprise [9], which can bring more cooperation opportunities and market share for the enterprise and further promote the development of the enterprise.

Therefore, the growth of an enterprise can promote the high-quality development of the enterprise by influencing the cost leadership strategy. Based on this, this paper proposes the following hypotheses:

H1: Implementing a cost leadership strategy can promote high-quality development.

H2: Growth has a positive moderating effect on the relationship between the adoption of cost leadership strategy and the high-quality development of the enterprise.

Financing constraints will firstly directly limit the investment of enterprises, resulting in enterprises not being able to adequately invest in cost-cutting projects and activities, which will have an impact on enterprises in terms of improving productivity and optimizing supply chain management, ultimately affecting their cost leadership; in addition, financing constraints will result in enterprises needing to rely on high-cost internal funds or external financing, which will increase their financial costs and reduce their profitability. This may force firms to increase the price of their products and reduce their competitiveness in the market, which in turn affects their cost leadership strategy. Finally, financing constraints may limit firms' expansion and growth, affecting their ability to implement cost leadership strategies. When firms may not be able to expand production and increase market share, they are unable to further reduce costs.

As a result of financing constraints, firms may need more funds to support the implementation of their cost leadership strategy or may be forced to abandon specific valuable investment projects. This may result in a firm's inability to reduce costs or improve efficiency, thus affecting its high-quality growth. Similarly, financing constraints can indirectly affect a firm's high-quality development by influencing its strategic choices. In addition, if an enterprise faces high financing constraints, even if it has sufficient capital, it may be forced to abandon some investment projects that can contribute to the enterprise's high-quality development due to the high cost of financing; because, if an enterprise is planning to develop a new technology to improve the performance and quality of its products, but the technology requires a large amount of initial investment but the enterprise at the same time faces high financing constraints and the cost of financing is high, or the financing channels are limited, then the enterprise may be unable to reduce costs or improve efficiency. With limited financing channels, the enterprise may be forced to abandon the investment project [10], thus affecting its high-quality development. Based on the above analysis, this paper proposes hypothesis H3:

H3: Financing constraints have a negative moderating effect on the relationship between enterprises adopting cost-leading strategies and high-quality development of enterprises, i.e., the more severely enterprises are affected by financing constraints.

3. Research design

3.1. Sample selection and data sources

This paper selects China's A-share listed companies from 2015 to 2021 as the initial sample; All the data are from CSMAR and CNRDS, and the initial sample is screened as follows: (1) excluding the sample of companies that have been ST, *ST, and forced delisted during the sample period; (2)

excluding the sample of insolvent companies; (3) dividing the dependent variable, i.e., the data measuring the enterprise's high-quality growth, multiplied by 1,000 to ensure the data's impartiality.. (4) Samples with financial indicators, missing data, or apparent anomalies are excluded; (5) To avoid the negative impact of weak extreme values on empirical findings, all continuous variables are subject to the 1 percent and 99 percent quantile reduction process.

3.2. Definition and interpretation of variables

3.2.1 Explained variable - identifying indicators to measure high quality development of the business (TFP)

In this paper, we build upon the measurement methodology of Lu and Lian Yujun [11] and uses the OLS method to measure total factor productivity in the baseline regression part and the LP method to measure it in the robustness test.

3.2.2 Explanatory variable - Cost leadership strategy (Cost)

The article refers to the strategy word set constructed by Hu Nan et al. (2020) using Word2Vec natural language processing method and then takes the total number of times the word set related to cost leadership strategy appears in every 100 words on average in the annual report as the cost leadership strategy selection variable (Cost). The size of the value of Cost represents depending on the degree of the firm's frequency implementation of cost leadership strategy.

3.2.3 Control Variables

Drawing on existing studies, we choose firm size, gearing ratio, ROA, gross profit margin, fixed asset ratio, loss, ListAge, Big4, etc., as control variables in this paper. In addition, given that time and industry factors also impact high quality development of the business, this study also controls for time (Year) and industry (Industry) fixed effects.

3.2.4 Moderating variable

(1) Financing constraints (KZ), the degree of enterprise financing constraints measured by the KZ index of the sample enterprises in the observation year. The larger the KZ index, the more serious the degree of enterprise financing constraints.

(2) Enterprise growth (Growth), the enterprise revenue growth rate can be used to gauge the scale of the enterprise growth; that is, the enterprise revenue growth rate is the enterprise in a certain period increase in the value of business income compared to the previous period of the percentage. The larger the value of Growth, the better the enterprise business income situation. The main variables and definitions are shown in Table 1.

Table 1. Variable definitions

Characteristic	Name	Notation	Description
Independent Variable	Cost Leadership Strategy	Cost	Total number of times the set of words related to cost leadership strategy appeared per 100 words on average in the annual report
Dependent variable	High-quality development of firms	TFP_OLS	Total factor productivity is calculated by the OLS method and the results are divided by 1000
Control Variables	Firm	Size	Size Natural logarithm of annual total assets
	Asset Gearing Ratio	Lev	Total liabilities at year-end / Total assets at year-end
	Net profit margin on total assets	ROA	Net profit / Average balance of total assets
	Gross Profit Margin on Sales	GrossProfit	(Operating Revenue - Operating Costs) / Operating Revenue
	Fixed Assets	FIXED	Net Fixed Assets / Total Assets
	Loss or not	Loss	The net profit of the year is less than 0 take 1, otherwise take 0
	Years of Listing	ListAge	ln(current year - year of listing + 1)
	Whether Big Four	Big4	The company is audited by the Big Four (PricewaterhouseCoopers, Deloitte, KPMG, Ernst & Young) take 1, otherwise take 0.
Moderator variable	Financing constraints	KZ	The greater the KZ index, the greater the financing constraints
	Enterprise growth	Growth	Current year's operating income / Previous year's operating income - 1

3.3. Model Setting

Firstly, this research builds the benchmark regression model below to investigate the effect of cost leadership strategy implemented by firms on the high-quality development of enterprises:

$$\mathrm{TFP}_{i,t} = \alpha_0 + \alpha_1 \mathrm{Cost}_{i,t} + \sum_k \gamma_k Control_{k,i,t} + Year, Industry\ fixed\ effects + \varepsilon_{i,t} \quad (1)$$

If the model (1) holds, the regression coefficient α1 is significantly positive.

Secondly, in order to test the critical role of financing constraints and enterprise growth in the impact of cost leadership strategy on the high-quality development of enterprises, this paper adds financing constraints and enterprise growth and their interaction terms with cost leadership strategy, KZ*Cost, and Growth*Cost, respectively, based on Equation (1) to construct the following two moderating effect models.

$$TFP_{i,t} = \beta_0 + \beta_1 Cost_{i,t} + \beta_2 \mathrm{KZ}_{i,t} \times \mathrm{Cost}_{i,t} + \beta_3 \mathrm{KZ}_{i,t} + \sum_k \gamma_k Control_{k,i,t} + Year, Industry\ fixed\ effects + \varepsilon_{i,t} \quad (2)$$

$$TFP_{i,t} = \delta_0 + \delta_1 Cost_{i,t} + \delta_2 \mathrm{Growth}_{i,t} \times \mathrm{Cost}_{i,t} + \delta_3 \mathrm{Growth}_{i,t} + \sum_k \gamma_k Control_{k,i,t} + Year, Industry\ fixed\ effects + \varepsilon_{i,t} \quad (3)$$

If the model (2) holds, the regression coefficient β2 is significantly negative; if the model (3) holds, the regression coefficient δ2 is significantly positive;

Among them, $TFP_{i,t}$ indicates that enterprise I in year t is a proxy variable for the high-quality development of the enterprise; $\mathrm{Cost}_{i,t}$ indicates the degree of implementation of the cost leadership strategy of enterprise I in year t; $Control_{k,i,t}$ indicates a series of other control variables affecting high quality development of the business; Year, Industry indicates the fixed effects of the year and industry, respectively; $\varepsilon_{i,t}$ indicates the fixed effects of the year and industry, respectively; $\varepsilon_{i,t}$ indicates the fixed effects of the year and industry, respectively; and $\varepsilon_{i,t}$ indicates the fixed effects of the year and industry, respectively. $\varepsilon_{i,t}$ is the model's error term.

4. Empirical results and analysis

4.1. Descriptive statistics

As seen from Table 2, the mean value of enterprise factor productivity is 0.0110, a wide range in the sample firms' levels of total factor productivity, with a high value of 0.0150 and a low value of 0.00700. Cost leadership strategy has a mean value of 0.00500, a maximum value of 0.0100, and a minimum value of 0.00200, indicating that the sample enterprises in the degree of cost leadership strategy there are more significant differences in the other variables are also within a reasonable range, will not be described here.

Table 2. Value of descriptive statistics

Variable	N	Mean	SD	Min	p50	Max
TFP OLS	19943	0.0110	0.00100	0.00700	0.0110	0.0150
cost	19943	0.00500	0.00200	0.00200	0.00400	0.0100
Size	19943	22.33	1.279	19.75	22.15	26.45
Cashflow	19943	0.0500	0.0670	-0.173	0.0480	0.257
Lev	19943	0.422	0.199	0.0520	0.414	0.894
Big4	19943	0.0570	0.231	0	0	1
ROA	19943	0.0380	0.0700	-0.373	0.0380	0.247
Loss	19943	0.119	0.324	0	0	1
ListAge	19943	2.202	0.769	0.693	2.303	3.367
FIXED	19943	0.200	0.151	0.00200	0.169	0.710
GrossProfit	19943	0.296	0.175	-0.0390	0.264	0.871

4.2. Analysis of regression results

Table 3 presents the results of estimating the model of high quality firm development and cost leadership strategy adoption by firms. Columns (2) and (3) show the regression results after adding year and industry fixed effects and control factors one at a time, while Column (1) displays the results of the regression without the addition of any control variables. The regression coefficient of Cost is considerably positive at the 1% significance level after adjusting for a number of variables that may influence the high-quality growth of firms, as can be seen from the data in column (3) of the table. This indicates that the implementation of a cost leadership strategy by enterprises can create and thus promote high-quality development of enterprises through methods such as cost reduction and efficiency improvement, which validates the research hypothesis H1 proposed in the previous section.

Table 3. Analysis of regression results

	(1)	(2)	(3)
VARIABLES	TFP_OLS	TFP_OLS	TFP_OLS
cost	0.0230***	0.004	0.013***
	-5.0542	-0.52	-3.825
Size			0.001***
			-91.106
Cashflow			0.001***
			-16.061
Lev			0.000***
			-9.481
Big4			0.000**
			-2.029
ROA			0.002***
			-14.917
Loss			-0.000***
			(-4.482)
ListAge			0
			(-1.601)
FIXED			-0.000***
			(-3.440)
GrossProfit			-0.001***
			(-17.932)
YEAR/IUS	NO	YES	YES
Constant	0.0107***	0.010***	-0.007***
	-371.544	-52.095	(-33.110)
R-squared:	0.0029	0.2722	0.6083
Observations	19,941	19,941	19,943
Number of stkcd	3,859	3,859	3,859

*** p<0.01, ** p<0.05, * p<0.1

4.3. Impact mechanism test

4.3.1 Moderating effects of KZ

The findings of the moderation test with financial limitations as the moderating variable are shown in Column (1) of Table 4. Column (1) of the table shows that the coefficients of the interaction terms KZ*Cost, as well as Cost, are significant at the 1% level, where the interaction term KZ*Cost is negative. Cost is favorable, indicating that financing constraints negatively regulate as well as the relationship between high quality business development and firms' adoption of a cost-leading strategy and that the greater the financing constraints, the more detrimental it is to companies' promotion of high quality development companies through the implementation of the cost-leading strategy, and that the higher the financing constraints are, the lower the cost-leading strategy is. The research hypothesis H2 is verified.

4.3.2 Moderating effect of Growth

Column (2) in Table 4 reports the results of the moderating test using Growth as the moderating variable. Column (2) of the table shows that the coefficients of the interaction terms Growth*Cost and Cost are both significant at the 1% level, and they are both positive, indicating that Growth positively moderates the relationship between high-quality development of firms and the adoption of cost-leading strategies by firms and that the larger the Growth, the more favorable it is for firms to promote high quality business development through the implementation of cost- leading strategies, which verifies the research hypothesis H3.

Table 4. Moderating affects test results

	(1)	(2)
VARIABLES	TFP_OLS	TFP_OLS
KZ*cost	-0.004*** (-2.987)	
Growth*cost		0.018*** (3.079)
KZ	0.000*** (5.316)	
Growth		0.000*** (3.490)
cost	0.018*** (4.936)	0.011*** (3.137)
Control Variables	YES	YES
YEAR/IUS	YES	YES
Constant	-0.007***	-0.007***
	(-34.296)	(-31.324)
R-squared:	0.6116	0.6385
Observations	19,943	19,943
Number of stkcd	3,859	3,859

*** p<0.01, ** p<0.05, * p<0.1

4.4. Heterogeneity analysis

4.4.1 Heterogeneity analysis based on the pollution level of enterprises

First of all, applying big data technology can help enterprises reduce production costs and promote enterprises to achieve overall high-quality development by improving quality, increasing efficiency, reducing consumption, and green production. Therefore, the significant reduction of production costs increases enterprises' subjective willingness to implement the cost leadership strategy, which in turn better promotes the high-quality development of enterprises. Secondly, big data technology facilitates fast and accurate access to information, reduces coordination and internal management costs, and improves organizational efficiency, resulting in more flexible trading of factors of production, more accessible exchanges between buyers and sellers, and more transparent information, which in turn leads to efficient and flexible employment and financing. In addition, the information technology advances embedded in digitalization can also improve factor utilization and energy efficiency. Accurate access to information facilitates the refined management of energy inputs, precise control, and real-time supervision of all aspects of production, effectively reducing the waste of resources in energy use. Finally, the significant reduction in production costs makes it convenient for enterprises to obtain information quickly and accurately, which enhances the transparency of market information and makes communication between buyers and sellers easier.

Communication between buyers and sellers is more accessible. The use of big data technology can facilitate the refined management of enterprises, enhance their incentive efficiency to help enterprises improve the production structure and mode, enterprise production costs down, and promote the use of cost leadership strategy to achieve high quality development of the business.

This paper reports the median frequency of firms using big data technology on a per-group basis ; the whole sample will be divided into the use of big data technology less frequent enterprises (the use of big data technology less frequent than the median) and the use of big data technology more frequent enterprises (the use of big data technology more frequent than the median) regression, the results are shown in Table 5, columns (1) (2). The results in the table show that, in line with expectations, the coefficient of cost is significantly positive at the 1% level in the group of businesses that use big data technology more frequently, while it is not significant in the group of businesses that use big data technology less frequently.

4.4.2 Depending on whether the company is a high-tech corporation or not, the heterogeneity analysis

Enterprises can be classified into high-tech and non-high-tech enterprises according to their differences, like their business, R&D capabilities, and innovation capabilities. High technology companies invest a great deal of money and human resources in developing new technologies and products, as well as paying attention to the transformation and promotion of technical achievements, compared to non-high-tech companies, which have less robust R&D capability and innovation ability. On the other hand, non-high-tech enterprises are relatively less involved in the field of high and new technology, with relatively weaker innovation ability, and pay more attention to optimizing and upgrading traditional crafts and technologies. At the same time, high-tech enterprises in product development, production, sales, and other aspects of the technical control and risk management capabilities of the higher requirements, the need to establish a sound technology and quality management system, and non-high-tech enterprises in this regard are relatively less involved. Thus, the positive impact of cost leadership strategy on high quality business development should be reflected primarily in high technology firms. In this paper, the whole sample is divided into two groups (high-tech enterprises and non-high-tech enterprises) for regression based on whether they are high-tech enterprises or not, and the results are shown in columns (3) (4) of Table 5. The results in the table show that, for the group of high-tech enterprises, the coefficient of cost is notably positive at the 1% level, while in the group of firms that are non-high-tech firms, the coefficient of Cost is not significant, which is in line with the expectation.

4.4.3 Heterogeneity analysis based on the management shareholding ratio of enterprises

Table 5. Heterogeneity test results

	(1)	(2)	(3)	(4)	(5)	(6)
	Less frequent use of big data technology	More frequent use of big data technology	Non-high tech companies	High tech companies	Low management shareholding	High management shareholding
Variables	TFP_OLS	TFP_OLS	TFP_OLS	TFP_OLS	TFP_OLS	TFP_OLS
cost	0.003	0.017***	0.01	0.014***	0.021***	0.006
	-0.499	-3.907	-1.478	-3.556	-3.686	-1.443
Control Variables	YES	YES	YES	YES	YES	YES
YEAR/IUS	YES	YES	YES	YES	YES	YES
Constant	-0.007***	-0.007***	-0.007***	-0.006***	-0.007***	-0.007***
	(-19.554)	(-34.136)	(-22.888)	(-25.598)	(-26.287)	(-26.111)
R-squared	0.6151	0.5812	0.5457	0.6511	0.56	0.6569
Observations	5,716	14,227	7,901	12,042	9,706	10,237
Number of stkcd	1,721	3,541	1,528	2,485	2,007	2,492

*** p<0.01, ** p<0.05, * p<0.1

Management shareholding refers to the proportion of the company's stock held by the company's executives, usually expressed as a percentage. The level of management shareholding ratio affects the governance structure and operational efficiency of the company and is also related to the company's shareholding structure, industry characteristics, ownership form, and other factors. The appropriate level of management shareholding may vary depending on different studies and analyses.

Generally speaking, a higher management shareholding ratio can enhance the incentives and responsibility of the management and improve the company's operational efficiency and value creation, but at the same time, it may also bring some negative impacts, such as a narrow vision of strategic decision-making, short-term management behaviors, and irrational allocation of resources. Therefore, it is necessary to explore whether the impact of management shareholding ratio on the level of high-quality development of enterprises is characterized by significant heterogeneity of high and low shareholding ratios. In this paper, The median management shareholding ratio is used as the foundation for categorizing the entire sample. Two groups of businesses with a high management shareholding ratio (management shareholding ratio greater than the median) are created from the entire sample., and enterprises with a low management shareholding ratio (management shareholding ratio less than the median) to conduct the regression and the results are shown in columns (5) (6) of Table 5. From the results in the table, it can be seen that in the group with low management shareholding, costs the coefficient is notably favorable at the 1% level, while in the group with high management shareholding, the coefficient of Cost is insignificant, as expected.

5. Robustness Tests

In order to further verify the robustness of the above conclusions, this paper also conducts the following robustness tests:

(1) Advance the explanatory variables by two periods: Considering the continuity and persistence of the impact of the implementation of the cost leadership strategy by firms on the level of high quality business development, the explanatory variables are advanced by two periods (expressed by TFP_OLS1), and column (1) of Table 6 displays the regression findings.

(2) replace fixed effects: Replace the control industry and time fixed effects to control time, and individual fixed effects regression results are shown in column (2) of Table 6.

(3) Replacement of explanatory variables; i.e., replacement of the measure of high-quality development of enterprises

In addition to the OLS method to measure the level of high-quality development of enterprises, the LP method can also be used to measure. Therefore, this paper draws on the research of related scholars on the measurement of total factor productivity (Lu Xiaodong and Lian Yujun, 2012). It uses the total factor productivity. The dependent variable in the regression is assessed using the LP method. The regression results after replacing the dependent variable are shown in column (3) of Table 6.

From the results in Table 6, it can be seen that the regression coefficients of the level of high-quality development of enterprises are significant, at least at the 10 percent level, when these methods are used to perform the robustness test. The basic conclusions of the model have not been substantially changed, which further illustrates the robustness of the conclusions of this paper.

Table 6. Robustness test results

	(1)	(2)	(3)
VARIABLES	TFP_OLS	TFP_OLS	TFP_LP
cost	0.011***	0.005*	0.008**
	(3.446)	(1.945)	(2.243)
TFP_OLS1		0.554***	
		(36.423)	
Control Variables	YES	YES	YES
Constant	-0.005***	-0.003***	-0.004***
	(-32.315)	(-19.627)	(-20.464)
YEAR/IUS	YES	YES	YES
Observations	19,943	16,084	19,943
Number of stkcd	3,859	3,430	3,859
R-squared	0.604	0.5646	0.512

*** p<0.01, ** p<0.05, * p<0.1

6. Conclusion and Implications

Taking A-share listed enterprises in China's Shanghai and Shenzhen cities from 2015 to 2021 as the research sample, this paper empirically examines the impact of cost leadership strategy on the high-quality development of enterprises and its intrinsic mechanism by constructing the index of enterprises adopting cost leadership strategy. The main conclusions are as follows: (1) The adoption of cost leadership strategy by firms significantly promotes the high-quality development of firms, and this conclusion still holds after a series of robustness tests. (2) The results of the mechanism test based on the moderating effect model show that financing constraints negatively regulate the relationship between the cost leadership strategy adopted by enterprises and the level of high-quality development of enterprises; the growth of enterprises positively regulates the relationship between the cost leadership strategy adopted by enterprises and the level of high quality development of the business. (3) Heterogeneity analyses show that the cost leadership strategy significantly affects the increase in the level of high-quality development of firms that use big data technology more frequently, high-tech firms, and firms that do not have too high a percentage of management shareholding. In contrast, the opposite effect is not significant.

The following policy insights can be obtained from the findings of this paper:

To begin with, enterprises must formulate scientific and reasonable cost leadership strategies, strengthen internal management and process optimization, reduce costs, improve efficiency and product quality, and enhance competitiveness. Besides, enterprises need to comprehensively consider factors such as financing constraints and enterprise growth to formulate a scientific and reasonable development strategy to achieve the goal of high-quality development. Last but not least, the government also needs to strengthen the support and guidance for enterprises, provide more favorable financing and tax policies, etc., to provide a more favorable environment and conditions for the development of high-quality businesses.

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