

ECONOMIC MECHANISM OF COSTS PRODUCTION MANAGEMENT

N. Skrygun, PhD

K.Semenenko

L.Vlasenko

National University of Food Technologies (Kiev, Ukraine)

It is concretized the elements of economic mechanism of costs production management. It is described the main points of costs production management system in the enterprises; emphasized the basic functions and principles of costs management production.

Key words: costs, costs of production, costs production management, the system of costs production management, economic mechanism.

I. Introduction

Market conditions must provide the effective functioning from the management personnel, the main criterion of those conditions is profit. The amount of profit is directly depends on how the process of costs production management is done. As a rule, any of the enterprise is oriented on the solving of some problems of long-term development and steady growing that is achieved according to the scientific methods of management.

The coherence of the problem's content of scientific costs production management consists in the necessity of the great number data mixing to the activity of the enterprise in one economic management system, which includes the total of principles, methods, and forms of management. Furthermore, it is necessary to define the subject and objects of management in the existing conditions of vagueness and risks that are caused with the instability economic situation in Ukraine, hard competition and great state of the market that depends on the people's need and wants.

II. Formulation of the problem

The problems of theoretical and practical aspects creation of costs production

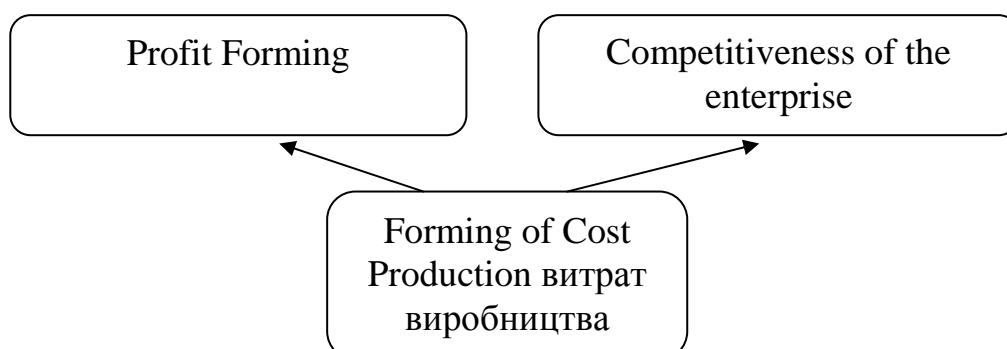
management in the agricultural enterprises were studied by such well-known scientists, as: D. Gorrigan, R. Antony, K.Druri, R.Hilton, M.Chumachenko, A. Cherep. and other. But in spite of great results of scientific works, some of the questions must be studied and needed further development. The components of economic mechanism of cost production management must be defined for their effective management

III. Results

For better functioning of any enterprise is essential the aggregate of acts, principles, methods, rules, processes, skills and actions which are directed to the integration and insurance of private and financial elements of production with the aim of increasing and realize a profit. For effective enterprise's activity it is important to have such mechanism of costs production management that could be adapted according to the setting objectives which can be financial, labour, financial resources, changes of micro- and macro- environment.

Hence, the economic mechanism of costs production management – is the system of targets, principles, methods, key factors and instruments for subject's influence on the object of management. That's why the unification of the mechanism of elements is made up its “construction”. (Fig.1).

We think that it is necessary to separate the main three levels of mechanism of costs production management: to the macro levels of state, to the average level of the region, and micro levels of different subjects of activity. The elements of the costs production management mechanism of every of these levels have their features and functions. Appropriate mechanism of costs production management is essential factor of management personnel to economic condition as a separate subject activity and in all branches of management activity.



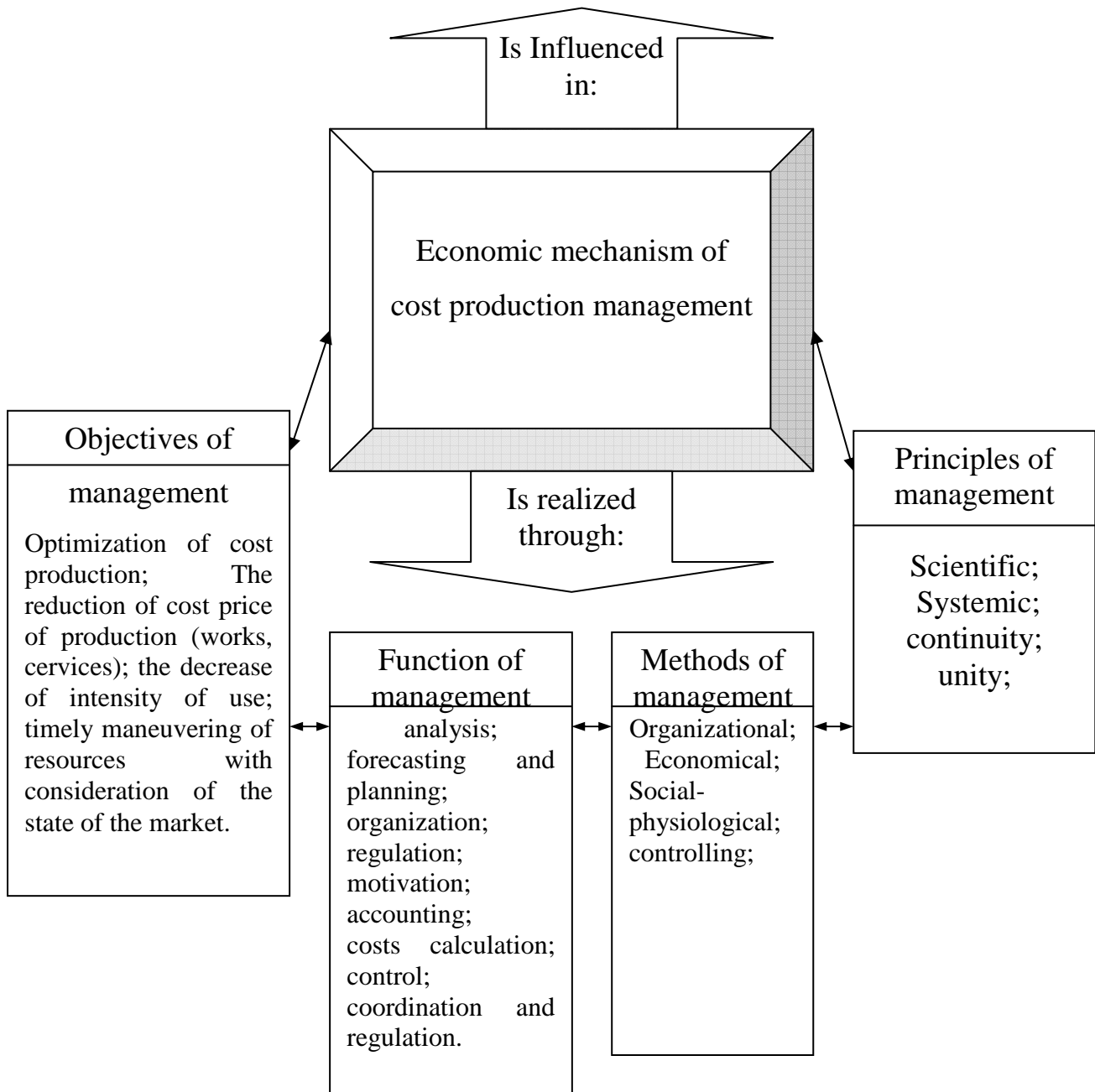


Fig. 1. The main elements of economic mechanism of costs production management.

According to this approach we can understand the mechanism of costs production management as the representation of the economic relationship in the enterprises.

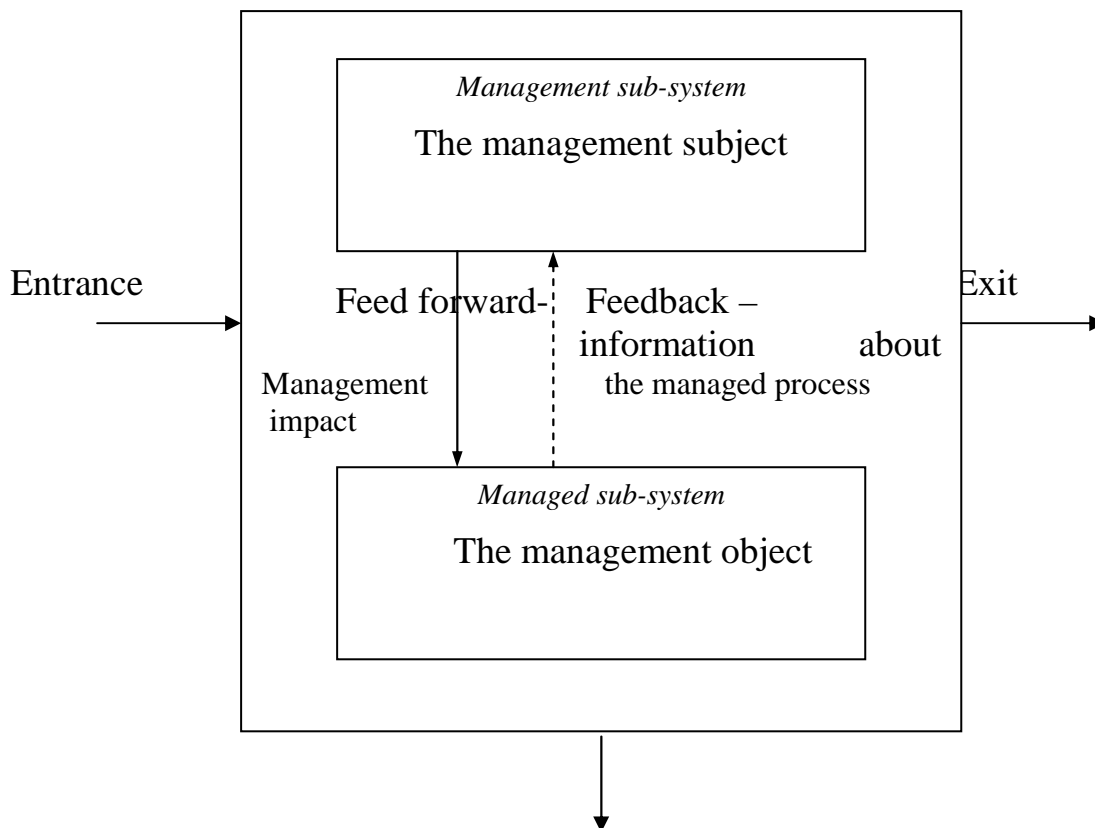
The problem of setting effective mechanism of costs production management requires not only the optimization structure of cost price but also the relationship

between the elements of the range of costs in the direction of unification for setting the best effect. In theory according to this approach it is distinguished the economic integration of different forms with suppliers and promoting structures which promote the production to customers in one technological process that insures the highest effectiveness for every branches of activity. It is based on every constituent of the cost range that is influenced in the final effectiveness of production. The range of possible unification is much wider. It equally covers the techniques and technology, economy and management production, social questions, sale and price policy and other.

According to the subjects of management in the enterprise there are some sub-systems of management: derivative process, financial and technical resources, staff and so on. Such sub-systems can be expanded with the costs production management. The system of costs production management consists of cycle that influences into the subject of management (the systems that manages) and on the object of management (sub-system that is managed). The subjects of the costs production management are the guidance and specialists of the enterprise and in its sub-divisions. (Fig.2).

A great amount of factors of environment are influenced on the system of costs production management of the enterprise (economic, scientific, technical, natural, political, social and cultural and other. In its part, the system of costs production management of the enterprise also makes the great impact on the environment of the enterprise (especially the factors of direct action).

Environment impact on the system of costs production management



The system of costs production management impact on environment

Fig. 2. The system of costs production management of the enterprise.

It is necessary to highlight that the condition of costs production management, its degree of perfection depends on improving the financial mechanism not only in its parts but also in some elements in the micro, average and macro levels. At the heart of costs production management must be placed the principle of insurance and effective interaction of all its ranges with the aim of increasing its effectiveness according to enterprise's capacity and improving financial and economical conditions of inhabitants as a means of social effectiveness of the enterprise.

That's why the management of the enterprise must be pointed on the efficient reduction of costs, and finding its reduction reserves. So, in fact we speak about the forming of systemic reduction of costs in the economic mechanism. The last reflects the costs reduction per unit of production, increasing the volume of realization and direct economic motivation of participants in the production process as a means of management. According to this approach we have the understanding the system of the costs production management as a reflection of appropriate economic relations in

the enterprise.

1. Administration means the optimization of the targets functions of objects or the enterprise, in other words, it involves the target understanding of resources. [5, p. 56]. The subject of the management is the process that influences into the object or the process of management with the aim of organization and coordination of people's activity for achieving the maximum effectiveness in the production. Thus, the subject of costs production management is there internal and external factors that are influences into the process of production.

The contest of the subject is its objects. The main objects of the costs production management, to our mind, are not only economic sub-systems of costs production forming and also its movement and process that take place as in the sub-system of production and in the enterprise as a whole.

2.The functions of management are in the interaction and interdependency, thereby are formed their fixed consecution that made up the closed repetitive cycle of management: analysis, planning, accounting, controlling, and regulation. It is necessary to underline that there are other approaches according to the characteristics of management functions: M. Meckon, M Albert., F. Hedoury highlight the planning, organization, motivation and controlling [4, p. 38]. P.Drucker makes the functions' consecution of management: planning, controlling, organization, communication and motivation [1, p. 20]. A. Fayol considered that there are five function of management: planning, organization, forecasting, coordination and controlling. V. Knorring forms the functions of management in other way: organization, planning, motivation, controlling and marketing [3, p. 45]. Except these function there are other – guidance investigation, valuation, personnel selection, analysis, representing and negotiation. In our mind, any classification of management functions is not perfect it can have elements that join and exceed each other. Irrespective of how the specialists will identify the functions every function is useful of it and cannot be underestimated.

To make management functions without reaching the management decision is not possible. "Management decision – is the result of analysis, that was made according to the studying of the situation, forecasting and selecting the optimal

decision, developing the specific plans of work that is directed to the achieving of the problem” [3, p. 95]. Understanding the importance of management decision as the instrument in the guidance activity, American economist E.Helfert considered that “The process of management of any enterprise - is the range of economic decision. These decision make the movement of financial resources in business” [2, p. 17].

Thus, management decision is the key function of management, is the process of making connection between the existing system conditions and wishing condition according to the aim of the management.

Costs production management realizes the main target and tasks through the giving setting of objectives. Exactly through its system’s functions the costs production management is the basic informative instrument that helps in achieving right decision.

Summing up the approaches to the determining of the costs production management’s function and understanding the features of the enterprise’s costs in interaction in the process of its management production we think that it is necessary to represent it as a *dynamic process of continuity organic actions of forecasting, planning, accounting, costs calculation, analysis, coordinating* and also as the regulation of some factors of production the aim of what is achieving the planned economic result of the enterprise activity.

The objectives of *forecasting and costs planning* are the economic studying of giving decision. It is emphasized the perspective (long-term) and assembly-line production planning that defined the ways of realization long-term targets of the enterprise. The exactness of perspective costs planning is not big because investment processes are effects in it, the competitors’ behavior, state policy, and force majeure conditions. Short-term costs planning are much accurate because it reflects the future needs and determine with annual, quarterly, and in case of necessity – monthly accounts. Much attention is devoted to the operational planning in conditions of antirecessionary costs production management of the enterprise.

Organization – as one of the function of costs production management, who operates the costs, in what terms, by what means so, it is spoken about the forming

internal structural sub-divisions on the enterprise, that make their development and realization of management decision – the center of responsibility. It is determined the place of costs appearance, costs centers and centers of responsibility for their holding. The methods of costs production management by the ways of emphasizing the centers of responsibility allows optimize the structure and volume of resources that are used to create the system for management principles and different workers with the aim of effective usage of working, financial and economic resources.

Regulation – the workable standards and calculations of costs involve the work, timetable and actions.

Motivation (stimulation) – helps to explain such stimulation actions which would support the workers' holding scheduled costs and finding the opportunities to reduce them.

Accounting costs is necessary for measuring the facts of customers' resources in the process of the enterprise's activity.

Calculation of cost price – a definition that means of costs value that influence into the calculation unit. With the help of calculation account it depends on the cost price. As an impartial economic category, cost price of the production (work, services) is a means of cost money expression on the usage enterprise's production of means and objects of the work, payment and other. Thus, the cost price of the production is pointed on the costs volume per production that the enterprise should refund the insuring regular production.

Among the main principles of costs production management holding of which is to insure the economic competitiveness of the enterprise, which is necessary to mark, are the next: systematic way to the costs production management; unity of method that practiced in the different levels of costs production management and in all stages of costs production management's of product's life cycle – from creation to utilization; organic connection of costs reduction with high productivity (work, services); forbidden excessive costs; wide involving of effective methods for costs reduction; wide involving effective methods for costs increasing; improving informational ensuring about the costs level; promotion of productive subdivisions in

costs reducing.

IV. Conclusions

Sum it up, we can summarize: in the functioning of every enterprise lays the total of acts, principles, methods, rules, processes, skills and actions that are influenced into the unification and interaction personal and financial elements with the aim of increasing its effectiveness and realize a profit. Dividing the costs production management from the total volume value of product is explained by the necessity of creation in last scales the main its elements: man power, means and instruments of labour. It is necessary that the enterprise could insure the new processes of production that's why the production must insure its continuities process. Also the pointed element is placed under other sub-systems of the enterprise, therefore, supply of the resources and sales. Constituent elements of economic mechanism of the costs production management is a system that consists of targets, principles, methods, levels and instruments for subject influences into the object of management. Improving the costs production management mechanism in the enterprises have to take part with the creation of stage-by-stage realization essential actions that directed into the insurance their technological, resort, economical and financial realization.

High economic results of the enterprise's activity are determined on how effective will be costs management, because only it is the main instrument of trustworthy and effectiveness of the enterprise's activity and its structural divisions. It is known that the process of costs production management is complex, dynamic continuity process interdependence actions of forecasting, planning, organization, motivation, accounting, calculation costs, controlling and analysis, coordination and regulation of appropriate factors and the aim is achieve planned economic results of the enterprise's activity.

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