

THE COST REDUCTION - THE MAIN CONDITION FOR SUSTAINABLE DEVELOPMENT OF INDUSTRIAL ENTERPRISES

Dr Valentina Vybornova*

Belgorod State Technological University named after V.G. Shukhov, Russia

Dr Svetlana Vybornova

Belgorod State Technological University named after V.G. Shukhov, Russia

Dr Liudmila Romanovich

Belgorod State Technological University named after V.G. Shukhov, Russia

Marina Romanovich

Belgorod State Technological University named after V.G. Shukhov, Russia

The deep and widespread changes in industry which are leads scientific-and-technological advance and systemic changes implemented in the course of from the global financial crisis, economic instability in the country and the world confront enterprise management tasks firm survival in difficult market conditions. As practice shows, the cornerstone of survivals- is a stationary state of company. The cornerstone is consider to entity 's ability of the enterprise to pay obligations in full and on time , and be capable of self-financing of the projects planned for the development of the enterprise. Huge reserve to increase the financial stability of the enterprise carries the job of managing the cost of production. The cost reduction gives financial safety margin which can be used for development of the enterprise and to strengthen its market position.

Key words: Company, Management, Earnings, Profits, Costs of production, Costs, Cost structure, Sustainable development path and reserves to reduce production costs

INTRODUCTION

At all stages of economic development the main link supports enterprise which is the system of economic relations is understood as business entity in economics. The degree of sustainable development of enterprises depends on the state of the economy of the region and the country [02, 01].

The actual status of plant facilities characterized by the presence of complex production and management problems. The relaxation of the state's role as guarantor of stability of development, violation of industrial, economic, economic and financial ties with customers and suppliers, technological backwardness of many industries, unstable financial situation of most companies - all of this are provokes a high level of uncertainty and instability conditions of functioning, which poses a real threat to the position of the company market. As a result, most industries are not able to fully utilize its production capabilities, often reducing their own work to the struggle for survival instead of sustainable operation [06].

According to many economists and researchers of the problem, financial stability is a reflection of a stable excess of revenues over expenses, provides free handling cash resources of businesses. That is why financial stability, formed during production and business activities, is a major component of economic sustainability of the enterprise.

One of the most important internal factors to create a sustainable situation of the company is to reduce costs. The control and reduce costs is a continuous system process designed to improve its economic activities, increase revenue and become less dependent on the price of competitors.

1. Inbeing and the relevance to maintain a steady state enterprises.

The sine qua non condition for overcoming the crisis and sustainable economic growth in Russia is to stabilize the economy, the basis of which is the economic stability at the lower levels of the economy, some economic subjects in the first place - the real economy [07].

* Belgorod State Technological University named after V.G. Shukhov; 308012 Russia, Belgorod, ul. Kostyukov, 46; rki-bgtu1@yandex.ru

The modern period of world industrial and economic development of the totality of industrial and non-industrial entities not conducive to stabilization, as characterized by a significant tightening of competition. Withstand this pressure is only capable of sustainable enterprise. The present stage of development of the economy is still characterized by a liberal share of indefinitude of the external environment, while reducing the signal of a change in it. The result is a high probability of risk situations affecting all aspects of the enterprise. This requires him to additional safety factor to counter unexpected and ill-considered challenges ahead. Due to the above, inference should be drawn that the basis of subsistence and stability of the position of the enterprise foundation is its stability. Economic stability is characterized by such a state organization of its capacity and the level of its use, which allow stably in the current competitive environment, taking into account the risk of deterioration, the negative impact of external factors. As the organization must have a knack for fastest growing in the long term, to chalking up positive results of production and business activities, provide self-financing investment and innovation projects [04]. An economic stability is the most common characteristic of the state enterprises, system synthetic reflection of its commercial, industrial, institutional, financial and infrastructure sustainability. Economic sustainability of the enterprise depends usually on the external and internal factors. Controllable factors are factors internal environment. The internal factors of formation of financial and economic condition are such as: industry classification of establishments; position in the market and the justification of the marketing strategy; established business relationships with partners, potential enterprises in business cooperation; stage in the life cycle; scientific and technical level; effective utilization of the production potential of the company and all of its productive resources [10]. Since production and economic activities in any enterprise associated with the consumption of material intake, fuel, energy, payment of wages, deduction of payments for social and pension insurance for employees, accumulated depreciation, etc., the fact remains that the reserves for increase the stability of the enterprise to be found in cost management in the enterprise.

2. Preoccupation and ways to reduce cost reduction.

Production costs - is the terms of money charges a factor of production needed to implement its enterprise production and business operations. They are expressed in terms of production costs, which characterizes the monetary costs of all material and labor costs, which are necessary for production and sales [09].

The level of costs for the production and sales of products is the basis on performance evaluation of the enterprise. The level of costs reflects all aspects of economic activity and accumulates the results of the use of all productive resources. From its level results financial results of activity of enterprises, the rate of expanded reproduction, the financial condition of entities.

The company is able to adjust the size and fixed and variable costs. Change is reflected in the balance sheet in terms of its current assets, which will cause the "disturbance" of the financial condition of the company.

The correlation of fixed and variable production costs affect breakeven output and financial headroom enterprise. Cost reduction leads to lower breakeven volume businesses and increase the stock of financial strength [05,08].

Just cost reduction leads to an increase in the profitability of production and company profits, which in turn may contribute to increased equity (capitalization of earnings) and the self-financing of projects on modernization of production.

Also, reducing nonrational costs and economic losses increases the competitiveness of the enterprise, its market share, profits, opportunity for innovative strategies. This eventually leads to the ability to make development strategy and strengthening its integrity. Strong business can withstand attacks competitors and furthermore, may itself implement integration strategies, diversification, direct absorption of weaker competitors, pricing strategy superiority. It turns out that the strategic condition of preserving the integrity of the enterprise is the predominance of factors to reduce costs over the factors that increase costs. Consider the basic model to reduce costs.

Considering the model to reduce costs, we cannot distinguish methods to reduce costs depending on the timing:

- Rapid reduction (over several days);
- Rapid reduction (within a few weeks or months);
- Gradual reduction (over several years).

Table 1: Models to reduce costs

Model of Improving cost-effectiveness	Advantage	limitations	Example
"Pure" cost reduction	The real cost savings by getting rid of the overhead increase ROI	It is required a serious analysis of the company's costs . Risk of discontent staff Risk of loss of productivity by eliminating really necessary costs. The risk of losing business	Getting rid of non-core asset
Intensification costs	The increase in revenues due to the introduction of new technologies and increase production. Support for the majority of staff (in the case of competent motivation) Increase ROI	It is possible only in the case of access to new markets and consumers. It is required investment and the reasons	Reduce the cost of product delivery
Fixing costs	Increase profitability with fixed costs Option - increase production while reducing costs	Raising prices is not always possible Is cannot avoid increasing costs in case of increase in output it	Establishing a clear plan costs and reducing variable costs, communication costs, fuel, etc.

Under the rapid cost reduction can be reduced costs for holiday senior staff, the acquisition of free tickets to entertainment events, staff training abroad.

Under the planned cost-cutting changes can be made in production technology. It can be partially reduced the company's staff (the staff costs will be reduced by five months, since the reduction of staff numbers or workers on labor law are entitled to receive up to five salaries).

In order to quickly reduce costs specialized units may develop separate plans. For example, the purchasing department conducts competitions for selection of the best suppliers, security department carries out activities in order to minimize losses from the loss of goods, stocks, etc. Identify ways to reduce costs and improve efficiency occurs at all stages of the production process - from procurement of materials and their processing to control at the stage of manufacture of the finished product and its delivery to the consumer. Ways to reduce the cost of production for each enterprise individually depending on the size, sector, and the specifics of the production distribution system. However, in the economic literature, there is an open list of reserves to reduce production costs. Factors contributing to an actual reduction in production costs, can be represented as the following list:

1. Improving technical level of production.
2. Improving the organization of production and labor.
3. Changes in volume and product structure.
4. Changing the range and the range of products.
5. Improving the use of natural resources and raw materials, fuel, electricity.
6. Industry and other factors. These include: input and the development of new shops, industrial units and production, preparation and development of production in the existing associations and enterprises; other factors.
7. Reducing tax costs.
8. Reducing maintenance costs of unused property.
9. Innovative cost reduction (introduction of innovative low-cost production);
10. Cost improvement of incidental assets.

List of reserves to reduce costs is limited only by the individual characteristics of the enterprise and production. However, managers should remember that only comprehensive measures designed for the long term are able to identify and solve the problem of reducing production costs. In this regard, the company offers a systematic

approach to reducing production costs [11,03]. Systematic approach includes a variety of activities, which may be divided by maturity:

1. Observing the fiscal discipline
2. Arrangements for accounting.
3. Develop and implement a plan to lower the cost reduction.
4. Auditing.
5. Analysis losses.

CONCLUSION

At this rate, to reduce costs in the company should be taken a variety of activities at different levels. Only a comprehensive approach to reducing the costs can effectively reduce costs. The most charged matter for reducing costs is to reduce the state or number. This event should be considered only as a last resort. Set of activities can not only reduce the size of costs, but also improve the efficiency of the company as a whole.

SUMMARY

The cost reduction efforts of production is one of the hardest in the enterprise. And the larger the company, the greater the possibility of finding ways to reduce production costs. But, at the same time, tracking the costs of their places of origin becomes much more difficult. In response to this problem requires a perfectly established system of control, regulation and adjustment costs in the enterprise. But through on the complexity of the implementation, the contractionary of reducing costs gives the company tremendous opportunities through the development of self-financing of the planned projects, improve the sustainability of. Both customers and contractors prefer to deal with a strong and stable company, which may enter into long-term contracts for the supply and implementation, which has the ability to pay without delay obtained raw materials and ship products on sale. Only such an enterprise is able to survive in the long term market conditions and receive a steady income and excess profits qualify as an additional benefit from effective management of industrial and economic activities and sustainable business reputation of the enterprise market.

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