

ECONOMY AND RENTABILITY OF MODERN COMPANIES

Ljubisa Zlatevski

Euro College - Kumanovo, Republic of Macedonia, lj.zlatevski@eurocollege.edu.mk

Abstract: Costs can hugely affect the state of economy and cost-effectiveness of the company. It is crucial to note that not always high income can be an indicator of the company's financial health.

To achieve the full picture we need to look at the costs (ie the costs of the enterprise). Each company has its own costs arising from different aspects of the operation.

But each enterprise to preserve the economy and cost-effectiveness of its operations should control costs and systematically reduce them. The reduction of costs, as a consequence, contributes to greater profitability of the company, and the greater profitability of the company leads to an increase in the share capital, cash reserves, etc.

In the long run, costs always influence the solvency of enterprises because they spend periods of expansion and expansion that increase costs. Therefore, each company should control costs and constantly find ways to minimize them.

Cost reduction drives the company ahead of the competition because it can deliver quality but at the same time give it a lower and more attractive price. Cost reduction and increased profitability can contribute to the growth of the enterprise and through mergers and acquisitions, because with the newly created capital and the economy can be developed.

In terms of costs, it must be noted that cost cutting and cost control must be carried out consistently regardless of the scope of the enterprise, activity, etc.

The economy of an economic entity is the most important feature, since we are witnesses of once successful economic entities that, due to uneconomic, are already part of history.

The reasons for this can be found in the growth of costs in times of economic expansion to the state of the peak of prices, when the economy enters correction or recession.

Keywords: costs, economy, economy, cost-effectiveness

1. COSTS AND THEIR IMPACT ON THE COMPANY

Costs directly affect the cost-effectiveness of the immediate production process. The cost, whether the total cost or the cost divided by the successive phases of the product life cycle, has an immediate impact on the overall operation of the business entities.

In the economy there is a trend of exhaustion of opportunities to improve the economy by reducing the cost of direct labor (due to automation), so such opportunities should be sought in the general costs.

This can be easily done if production is allocated abroad to countries that have lower yields. But we should not forget that this is an advantage only for large enterprises. We have an example with Apple. Due to the allocation of production in the People's Republic of China, labor-related labor costs have been enormously reduced, which of course corresponds to an enterprise like Apple who is labor intensively.

It is also crucial to mention the outsourcing of parts production to Foxconn from Taiwan that produces parts of Apple devices at the most favorable prices. Therefore, Apple is the bottom of the most cost-effective US companies and one of the most profitable and owner of large capital reserves.

Here, also, the actual costs as a measure of economy are also crucial. For example, if the actual costs are greater than the planned, this indicates an uneconomical operation.

It is crucially important to note that according to the Kukulecha talker there are five basic categories on which the economy is manifested:

- The product as the goal of the realized production
- Having the labor force
- The costs of the elements of production
- The income as a goal
- Engaged means of production

2. COSTS AND THEIR IMPACT ON RENTABILITY

On the principle of profitability, the second crucial element of the overall operation of the economic entities is seen. The market conditions confirm the conclusion that each business entity strives to achieve maximum profit with minimal capital investment.

Thus, in determining the profitability, the question is how much is the amount of invested funds, ie how the total funds are used. Therefore, profitability is an indicator of success, because it denotes a financial result

achieved with a certain level of utilized assets.

Basically, the cost-effectiveness is an expression of how economical an enterprise is. An enterprise should strive to achieve conditions where with minimal invested funds will receive maximum profits. It should therefore be pretended here, besides the assets used to be used and the minimal workforce That is, using the optimum of the workforce to achieve the desired results.

3. RESPONSE TO THE COSTS ON THE MANAGEMENT DECISIONS

All measures and activities that are undertaken in an enterprise, starting with the procurement of materials and raw materials, the organization of the production process, until the sale of finished products, in some way reflect the costs and align their height and structure.

Costs arise in the role of a factor with decisive influence on the economy and profits that are realized in the enterprise. Therefore, no decision in the operation should be made without prior analysis of the action of that decision on the costs.

The managerial teams in the company, based on the analysis of the costs made by expert teams (economists, technologists) referring to the size of the separate types of costs, their behavior in the short and long term depending on the scope of production, the applied technology, etc. make significant business decisions, related to a number of issues within the company's management policy.

Costs are a central point around which management's interest moves when making business decisions in the enterprise. The manager focuses his view on achieving effective reliance: costs-volume of production-income. The efficiency of this relationship implies achieving an optimal production scale, with minimal costs and maximum incomes. Hence, proper cost management, as an element of the given relationship, continues to be the starting point for imposing effective and effective business decisions, as well as achieving the basic economic principles: cost-effectiveness, productivity, and ROI.

Cost planning and control has always had a special significance within the cost accounting. Cost planning sets goals and defines the means and ways of realizing the intended goals.

Unlike cost planning, control is a check on the performance of the set objectives at the cost planning stage. Within the cost accounting, a comparison of the planned costs with the actual costs incurred is made, in order to determine the deviations that are the subject of the analysis.

This certainly arises from the need to take measures to deviate the gaps and stimulate positive movements. The process of comparing the planned with the actual costs is done on the basis of the so-called. isolation principle. According to this principle, only those deviations that deserve attention are examined, and discrepancies that are considered insignificant and irrelevant are ignored.

Hence the attention of the managers will be directed towards those deviations that indicate major irregularities and according to which things are not carried out in accordance with the plans. The remaining (random) deviations will be ignored. In this way, the functioning of the feedback is ensured, which can indicate the change of objectives, the search for alternative means, the change of the operational process, the changed decision making methods, the correction of the standards, etc. Planning and control of costs are closely related, so planning without a control, and vice versa, almost do not matter.

The control of the activities in the enterprise is done by measuring the achieved results. However, the assessment of the results obtained is carried out by applying a special planning instrument comprised of accounting and statistical plans and reports. The modern cost management approach requires the differentiation of costs on different bases. Each cost sharing is conditioned by its practical application. Today, in the literature, there are numerous cost splits, in which they are grouped in different respects. Thus, the basic distribution of costs is carried out according to their types, then according to the manner of their identification with the products and services, depending on the degree of dependence on the engagement of the capital, we distinguish total and average, production and nonproduction, actual and projected costs, Knowing the different cost divisions makes it easier to analyze their basic characteristics, the essence and the way they behave in the hands of the enterprise.

Each division of costs name an indisputable role in the accounting of the enterprise. The costs are of great importance in the process of making business decisions by the management of the enterprise. Each management decision is based on a preliminary analysis of its relation to costs, that is, how this decision affects them and what is its cost-effectiveness.

This dependence on cost decisions requires and proper management of them. Hence the need for planning and controlling costs was also called. Planning implies goal setting, and the control ensures their implementation. If the enterprise has properly defined goals and if it adheres to the principles for their implementation, the results of the control will confirm the successful operation.

If, however, the results of the control indicate a deviation from the planning indicators, the return coupon will require managers to take corrective action on deviations, in order for the enterprise to pursue the promotion of its activities.

4.ANALYSIS OF THE SITUATION IN THE METALURG INDUSTRY WITH THE REFERENCE OF THE COMPANY NORILSK NIKEL

It is crucial to note that actual enterprises are facing enormously large problems due to their non-controlling costs. Therefore, every company strives to be as efficient and more profitable as possible.

We have an example with the global metallurgical corporation NORILSK NIKEL from Russia

The company NORILSK NIKEL had problems during the financial crisis. The reasons for this are more:

- Fall in the price of finished products
- The cost of tariffs and other charges
- The cost of loans
- The cost of labor costs, etc

One of the biggest reasons is the increase in the cost of loans that NORILSK NIKEL raised in 2008 by VTB GROUP and SBERBANK, because at that moment he was threatened with liquidation.

The reason for this was excessive spending on the management of acquisitions, in particular the purchase of a large package of shares from the NORILSK NIKEL group just before the borrowed debt crisis.

Initially the strategy of NORILSK NIKEL was vertical integration, which would transform this giant into a self-sufficient company (ie, it would have mines to smelters and refineries, transport companies etc.).

The purpose of this was to reduce the costs of using foreign services by divesting companies in the activity that perform various activities from the NORILSK NIKEL plant. As we know the activity of metallurgy is very costly and costly, and therefore companies are often faced with difficulties in founding their operations

During 2008, NORILSK NIKEL entered into a series of problems that it could not solve without the loans of VTB GROUP and SBERBANK in the amount of several billion dollars.

Without these loans NORILSK NIKEL would be insolvent due to the costs of debt-based acquisitions and the higher costs on the basis of interest rates. But these loans created future interest claims, which to this day prove to be a problem for the strategy of NORILSK NIKEL.

Due to the cyclical nature of the metallurgical business, it is crucial to take into account the costs, because in times of decline, which are quite frequent due to the growing discovery of mines and deposits, prices are falling more often.

We also have an example with Australia's mines exporting iron ore to China, which is currently faced with overproduction and lower iron ore prices. As a tip, the Chinese government has advocated developing China's iron ore capacities to reduce the rate of iron ore. dependence on imports.

Every company in the metallurgical business must aim at reducing costs and optimizing the claims for mergers and acquisitions, since such endeavors often end up with excessive debts and future liabilities on the basis of loans raised.

All these costs pose a problem for the companies because they soon become too big to be managed. Therefore, a number of companies including NORILSK NIKEL are trying to reduce their labor costs by mechanization, to maximize the productivity of employees and

In this way, with lower costs and greater productivity, the company's economy and profitability can be maximized. This is the path to higher corporate profits and larger capital reserves that can seriously help it overcome in a crisis.

Interestingly, companies in Russia were heavily affected by the global economic crisis due to their dependence on loans in foreign currencies.

This is reminiscent of the thought of the great management expert Warren Benis: "The success of management depends on learning as fast as the world is changing ." Companies must learn to adapt to changes in markets, because their position depends on them. This applies to all fields, especially in the field of management.

There are several ways to improve the situation of a company with Innovation, Investments in modern technology,development of intellectual capital,taking opportunities to enter the global market,Improve financial parameters ets.

CONCLUSION

It is crucial to note that costs are the most important element of cost-effectiveness and cost-effectiveness. It can be said that if you can not fully impact your revenue, you can influence expenditure.

Costs are crucial for the following reasons: they can be reduced,there are countless unnecessary expenses,costs,they are the basis of profitability,they are the basis of cost-effectiveness and basis of economy.

There is no economical enterprise that does not care about costs and does not consistently reduce them.

Each enterprise should focus on costs and reduce and control them all the time, because only by continuously tracking costs and reducing them can reach the desired ones:

- Profitability

- Rubability
- Economical
- Economical growth
- Economic development

All of this is the role of management, and the great Isaac Adizes speaks of this: "The role of management is to make the system efficient in the short term and long term ." Every company must have the opportunity to achieve cost-effectiveness and profitability, but in modern operating conditions this is not as easy as it seems.

There are several reasons for this:

- Increased competition
- Increased differentiation of products
- Increased number of substitutes
- Changes in customer habits
- Need for investment in technology
- I need more capital
- Establishment of conditions for future crises

To keep a company on the market, it has to make efforts to remain competitive, which often involves new investments and money consumption, but at the same time paying attention to consumption, as we are often confronted with times in which capital is not easily accessible, its the price is high and it is not worthwhile to use foreign capital to invest, and own capital is simply not sufficient for cost-effective operation.

LITERATURE

- [1] Age, Susan, The Power of Business Process Improvement, 2010, ISBN-13: 978-0-8144-1478-1
- [2] Antonucci, Yvonne Lederer, Bariff, et.al, Guide to the Business Process Management Common Body of Knowledge (BPM CBOK), Version 2.0, 2009, ISBN-13: 9781442105669
- [3] Arthur, Jay, Lean Six Sigma DeMYSTiFieD, 2011 2nd Edition, ISBN 978-0-07-174909-1
- [4] Damelio, Robert, The Basics of Process Mapping, 1996, ISBN 0-527-76316-0
- [5] Davenport, Thomas H., Process Innovation: Reengineering Work Through Information Technology, 1993, ISBN 0-87584-366-2
- [6] Galloway, Dianne, Mapping Work Processes, 1994, ISBN 0-87389-266-6
- [7] Harmon, Paul, Business Process Change: A Guide to Improving, Redesigning and Automating Processes, 2003, ISBN 1-55860-758-7
- [8] Harrington, James H, Esseling, Erik K., and van Nimwegen, Harm, Business Process Improvement Workbook, 1997, ISBN 0-07-026779-0
- [9] Jacka, J.Mike and Keller, Paullette J., Business Process Mapping: Improving Customer Satisfaction, 2002, ISBN 0-471-07077-4
- [10] Keller, Paul, Six Sigma DeMYSTiFieD, 2005, ISBN 0-07-144544-7
- [11] Madison, Dan, Process Mapping, Process Improvement, and Process Management, 2005, ISBN-13: 978-1-932828-04-7 McDonald, Mark, PhD, Improving Business Processes, ISBN 978-1-4221-2973-9
- [12] Rother, Mike and Shook, John, Learning to See: Value Stream Mapping to Create Value and Eliminate Waste, 2003, ISBN 0966784308 Rummmler, Geary and Alan Brache, Improving Performance: Managing the White Space on the Organization Chart, 1990, ISBN 07-87 -90090-7
- [13] Sharp, Alec et. al., Workflow Modeling: Tools for Process Improvement and Application Development, 2001, ISBN 1-58053-021-4
- [14] Tapping, Don and Shuker, Tom, Value Stream Management for the Lean Office, 2003, ISBN 1563272466
- [15] Womack, James P., and Jones, Daniel T., Lean Thinking,