COSTS MANAGEMENT – ESSENTIAL FACTOR FOR INCREASING THE COMPETITIVENESS OF THE ROMANIAN SUGAR INDUSTRY

MANAGEMENTUL COSTURILOR - FACTOR DETERMINANT PENTRU SPORIREA COMPETITIVITĂȚII INDUSTRIEI ZAHĂRULUI DIN ROMÂNIA

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Abstract: *Cost management is one of the basic components of the enterprise organizational subsystem, being causal variable of most decisions.*

In market economy, efficient cost management becomes an important factor in increasing the industry competitiveness on internal as well as on external market. That is why the aim of this paper is to determine the characteristics and the evolution of the sugar industry, in the context in which cost management represents an important factor to increase this industry competitiveness. The paper also refers to the challenges of the European sugar industry, the strategies to increase its competitiveness or the ways to reduce costs in order to develop and to obtain performance.

Key words: *costs management, competitive advantage, strategy, performance*

INTRODUCTION

Of the 33 factories processing sugar beet before '89 today operates four and only one of them has Romanian capital. Today, Romanians consume about 550,000 to 600,000 tons of sugar, 20% less than two years ago. That's because the price of sugar has increased. Only a fifth of the amount consumed is produced in local processing plants. Of the 33 existing plants more than 21 years ago, now only two processes sugar from sugar beets - Bod and Ludus, and the other two processes beet sugar and raw sugar - Roman and Oradea.

Factory Bod, Agrana company (with three plants in Buzau, Roman and Tandarei), Oradea plant, processes also raw sugar and beet sugar. The factories Liesti, Urizceni, Corabia and Calarasi only ship raw sugar.

Sugar beet producers complain that the lack of subsidies will fail also the few remaining manufacturing plants. On the other hand, according to Armenean, about 250,000 tons, about 50% of domestic consumption, is sold without papers at a price of 2.3 to 2.5 lei per kilo (VAT included).

Because the intra-communitary sugar is non-taxable, there are all sorts of phantom companies, "apartment ones", selling at low prices and after one month disappear before deduct the VAT. It was tried to establish a system of reverse charge in customs, but was not approved in the EU even though it could eliminate tax evasion. Imported sugar comes from France, Germany or Austria.

Due to major imports of sugar, Romanian sugar industry has lost some traditional export markets. Closing these markets led to saturation of the domestic sugar market and to the drop in its prices.

At this stage, economic development and business efficiency growth can be achieved thanks to implementation of management methods based on costs settlement. In this context, cost management has the goal to ensure the appropriate methods to achieve operational control over costs, thus ensuring the optimization of the whole process of economic activity.

In order to achieve successful cost management, highlighting the costs should be organized so as to reflect and control the production process at all stages.

Cost management allows modeling of all processes within the company, from supply and ending with the marketing of manufactured products. Based on information gathered on the costs of production, can be made operative and effective decisions, able to improve the situation.

MATERIAL AND METHOD

The research was accomplished from a triple perspective, in which the conceptual methodological approach is correlated to the empirical study and to a variety of references to practical actions aiming the increase of the European tourism competitiveness, based on the current knowledge in the field.

The results expressed in this paper were the result of a quantitative and qualitative analysis of the characteristics and the evolution of the sugar industry, in the context in which cost management represents an important factor to increase this industry competitiveness.

We didn't have omitted the challenges of the European sugar industry, the strategies to increase its competitiveness or the ways to reduce costs in order to develop and to obtain performance.

RESULTS AND DISCUSSION

A. The importance of cost management in the sugar industry

Cost management is one of the basic components of the enterprise organizational subsystem, being causal variable of most decisions. Given the low development of cost management in domestic enterprises and poor awareness of the company management that only through effective cost control and reducing the costs they can resist in front of the growing competition, is enough current to promote and support at all levels the new tools and methods of cost management.

In our opinion, the main tasks of management costs within companies in Romania, must be:

- identification of the techniques and means of control and measurement of costs;
- the choice and the use in practice of the methods of costs standardization;
- cost calculating on separate structural subdivisions and on business generally;
- calculating unit costs of production (works, services);
- use of cost analysis for managerial decision-making to improve production processes, product and price policy formulation, optimizing the use of production capacities, choice of investment alternatives, production volumes and sales forecasting;
- determining of the main costs of enterprise management functions;
- elaboration of the information base that would allow assessment of costs in making management decisions;
- revealing reserves to reduce costs in all stages of production process and in all the structural subdivisions of the enterprise;
- increasing the economic efficiency of enterprises.

We consider that effective cost management advantages for companies in Romania are:

- manufacture competitive production at low costs and therefore at lower prices;

- presenting real and qualitative information about the cost of various types of products and about their market position, compared with other manufacturers' goods;
- possibility to use flexible pricing system;
- providing objective information for enterprise budgeting;
- possibility of appreciating the work of each subdivision of the enterprise from a financial perspective;
- justification and efficiency of management decisions.

In the market economy context, efficient cost management becomes an important factor in increasing the branch competitiveness on internal as well as on external market.

Many problems revolve around price, respectively, around the cost of production, as essential components of the sugar market. Severely criticized because it is higher than the international one, this price determines the competitiveness of domestic manufacturers on the domestic market, increasing, however, also the price of sugar at the consumer.

B. Ways to reduce production costs in the sugar industry

Reducing the cost of production is a very important aspect of a business management with role in maximizing the profit.

Reducing costs means increasing the competitiveness of products and the possibility to compete with a very important asset, which can only ensure business success in the sugar industry.

All sugar factories should seek ways and means of action to reduce costs. Of course, the ways and means differ from one company to another, according to specific features of business, starting from production process and ending through to the way of amangement of the design of its management. Regardless of existing features, it results a series of potential actions to reduce their costs for all sugar factories.

The main ways to reduce production costs for sugar industry in Romania, are:

1. Implementation of modern technologies of sugar beet cultivation and improving the activity of supply of sugar factories, trough:
   a) the transfer of "know-how";
   b) investments in mechanization of cultivation process;
   c) research on sugar beet cultivation.
2. Measures to reduce material and energy consumption:

- ♦ Reducing the specific consumption of raw materials by improving manufacturing technology, organizational modernization, professional training, the maximum reduction of losses during the production process;
- ♦ Recovery, restoration and recovery of recyclable materials (wastes, residues, etc..), In this case one of the main advantages are substantial reduction of energy consumption;
- ♦ Using highly efficient production capacity, leading to lower weight means wear in total cost, thus also reduce overall material costs, and avoid the high degree of wear and tear of fixed assets.

CONCLUSIONS

In every field of activity, the competitive position of an enterprise depends on the nature, size and sustainability of competitive advantage, that it managed to create. This competitive advantage requires a better control of production factors, which reflects on the competitiveness of production and the company as a whole.

Production cost is a qualitative-economic index, occupying a central position in the system of the performance indicators at the company level and in the ones for measuring and assessing growth. Production cost is the monetary value of all consumption and other expenses necessary for the manufacture and sale of products made in certain economic efficiency.

Cost management is one of the basic components of organizational subsystem of the company, being one of the causal variable of enterprise competitiveness. Poor development of cost management in local businesses and their failure to acknowledge the need for their management leads to an inefficient level of cost control, which in increased competition conditions can’t lead to their optimization.

Costs management must be one of the basic components of the profitable management mechanism of sugar factories in Romania. One of the modern directions of analysis, cost control and management is the implementation of cost management in the centers of responsibility, organizational units, which will serve as operational instrument in realising the management information.

The implemtation in the practice of the sugar industry in Romania of the proposed recommendations will help ensure effective cost management

adequate to the current business environment, will improve essentialy the economic situation in the branch, which will increase the competitiveness of the Romanian sugar on the domestic and foreign markets.

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