

Section 02. Innovative Management

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Improvement of logistics management as a factor of increasing the economic efficiency of a company

Under the current conditions of economic development, the improvement of logistical support is one of the most important factors in increasing the economic efficiency of an organization as a whole.

Logistic processes are of vital importance for the successful operation of any enterprise. Effective functioning of the logistic chain - ordering, procurement of material resources, delivery, distribution and storage of goods - depends on the efficiency of an enterprise as a whole and the successful implementation of its production plan. The costs related to the movement of material flows reach 50% in the cost structure of almost any enterprise. So, a successful management of these expenditures greatly influences the value of the company final product.

Thus, the logistics management includes a number of functions which support an enterprise productivity and efficiency:

- 1) planning that determines the optimum amount of resources necessary for a single production cycle and production of a specific batch of goods and services using such indicators as materiality and return on assets;
- 2) procurement which follows the demand plan, controls the process of making contracts, and processes all "errors" of production;
- 3) storage that focuses on developing guidelines, principles, standards and instructions of a company stock storing and using;
- 4) counting and control of supplies and raw materials necessary for production.

Many scientists and practitioners describe different methods of the logistics system optimization. Some of them include application of new technologies in production; joined or combined production; capitalization of the renovation of enterprise durable means of production through investments, etc.

Planning of material supply influences the process of decision making on procurement. Inventory and logistics management deals with a big number of calculations required to determine the nomenclature composition, volume, and target destination of the resources, the sources of supply and the amount of expenses needed for the introduction of the procurement system.

Therefore, the effective functioning of an industrial enterprise depends on the logistical supply arrangements and requires the improvement of the supply system as a part of a company strategic management plan.