## International Conference on Developments in Education, Sciences and Humanities Hosted from Hamburg, Germany

### https: econferencezone.org

**March 15<sup>th</sup> -16<sup>th</sup> 2022** 

# IMPROVING LOGISTICS COST MANAGEMENT IN THE CONSTRUCTION SECTOR

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## Abstract

The article deals with the issues of improving the cost management mechanisms in the supply chains of the construction industry. The activities of foreign and domestic scientists, reflecting the results of various studies, and some related concepts, as well as the author's definitions. For the activities of a large construction company, a multifactorial model was chosen based on the factors

influencing the formation of costs in the supply chains of the construction industry. Based on the indicators for 2014-2021, a multifactorial model of non-linear relationships was developed, and on the basis of this model, forecast indicators for the formation of costs in supply chains for the medium term were determined. In the course of the study, a complex organizational and economic mechanism for managing the logistics business processes of a construction cluster was

developed, which expands the possibilities for improving the efficiency of the process of managing the movement of material and information flows in logistics chains in the activities of regional construction clusters.

## Keywords.

construction industry, logistics, capital construction, building complexes, logistics chains, management, logistics costs, construction cluster.

Analysis and results The experience of developed countries shows that in order to ensure the efficiency of the construction industry and the enterprises or clusters operating in the industry, and to satisfy the population, who are the main consumers of the construction industry, first of all to reduce the level of natural monopolies and deepen market relations.

Analysis of the situation in the construction industry in Uzbekistan shows that the process of deepening market relations and consolidating its enterprises into a single system of activity, ie the formation of a single construction system that includes logistics systems, is not yet complete. indicates that it does not respond.

Based on these ideas, we believe that the next stage in the development of the industry should be, first of all, the deepening of market relations in the construction industry. To this end, we have developed a model for the implementation of the tasks of deepening market relations in the industry, and it is recommended to introduce this model in the process of ongoing reforms in the industry (Figure 1).

The model includes a set of program measures aimed at the formation and development of market relations in the above-mentioned area, the processes of change in the field and improving the management system in the field, which is important in solving the problems of increasing the effectiveness of ongoing structural changes. For each marketing concept presented in the model, specific tasks are defined to be performed through a set of measures, and the full implementation of these tasks through selected mechanisms will lead to the deepening of market relations in the field and the functioning of market mechanisms.



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Figure 1. A model for the implementation of the tasks of forming market relations in the construction industry The management mechanisms of the proposed model consist of organizational and economic mechanisms developed in each direction, and the main task of organizational and economic mechanisms of management is to ensure the effectiveness of the process by influencing the object of management.

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The effectiveness of the management mechanism in construction enterprises or clusters depends in many respects on the role of local self-government bodies and the broad involvement of consumers in the decisionmaking process.

The organizational mechanism of management includes management functions, organizational structure of management, personnel, management techniques and technology, management decisions, organization of labor on a scientific basis, the legal framework of management and others. Organizational elements of management include management objectives, principles, functions, methods, techniques, technology and personnel, management structure and information.

Economic mechanisms of management are based on economic laws, principles, methods of management, as well as the purpose, benefits, property relations and other supports of economic activity. The economic mechanism of management is aimed at solving specific socio-economic, technological, socio-psychological problems that arise in the course of activities. The construction site management system consists of a single mechanism by which the control element performs the functions interrelated with the functions of other elements (Figure 2).



Figure 2. Construction industry management mechanism<sup>1</sup>

From the above data, it can be seen that management principles are selected based on the management principles of the construction industry, the specifics of services, management characteristics, and the main tasks listed in the table below are performed. The level of satisfaction of the interests of the participants of the system operating in the field is the main result, which reflects the effectiveness of organizational mechanisms. The concept of "organizational efficiency" was introduced to management science by R. Hollu, which is interpreted as a model of system activity, including structural features and processes within the enterprise and the relationship with the external environment, aimed at achieving a common goal.

Theoretical and practical research shows that the effective management of costs in the process of movement of material, financial and information flows and cost optimization for these processes requires a functional and organizational integration of logistics processes formed in the construction industry. This opinion is based on the logistical analysis of the activities of a number of enterprises in the construction industry, which showed

<sup>&</sup>lt;sup>1</sup> Developed by the author.

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that the enterprises in question do not have management systems with integrative nature, ie insufficient ability to integrate and interact with individual components of the system.

Based on these considerations, it is proposed to introduce an organizational structure in the form of a logistics system management service - a combination of all logistics functions and operations under a single management as a special case of optimizing the activities of the whole enterprise to minimize costs in construction companies. Here, integration processes are mainly focused on the management of material resources moving in logistics chains. In this organizational structure, the existing departments of construction companies retain their functional specialization, and the organizational structure formed in this way implies the presence of the following management structures in construction companies:

- 1. Logistics management service.
- 2. General economic management service.
- 3. Strategic Development Service.

This organizational structure envisages a single structure for the efficient use of financial and human resources at all stages of logistics activities, from the provision of equipment and materials, to the production process and the delivery of finished products to customers. Thus, the proposed structure creates the need for direct management of the logistics system in addition to the main activities.

It is proposed that the solution of the problem of cost management generated in the emerging logistics chains be implemented through an integrated logistics cost management system developed in the research process. The main idea of the integrated logistics cost management system is a system that includes a single methodological and information base that combines functional units related to the movement of material flows, such as delivery and sales, storage and movement of material flows, financial and accounting departments. The integrated logistics cost management system envisages the integration of all services of construction enterprises with a common database in a single integrated system.

In the course of the research, the basic methodological rules for the formation of an integrated logistics cost management system were developed. According to him, the following principles should be followed in the formation of the management system of integrated logistics chains:

1. Formation of a single chain of automated logistics control of the movement of purchases, inventories and material flows, which allows integrated logistics chains to manage both processes and costs at all stages of operation of the management system.

2. Integration and coordination of logistics, financial and capital construction management activities.

3. To take advantage of the possibility of in-depth and multifaceted analysis of logistics processes, ie integrated logistics chain management system should be equipped with multiple data preparation tools to analyze operational information on the flow of material flows, the status of mutual settlements with suppliers and customers.

4. Reducing countercurrents of transactions related to financial and material flows, which allows you to quickly monitor the status of mutual settlements with suppliers and consumers.

5. Simultaneous coverage and management of all divisions of a construction enterprise or cluster - the integrated logistics chain management system should carry out the process of parallel accounting and management of logistics operations for all divisions within the structure.

6. Comprehensiveness and flexibility. An integrated logistics chain management system should have the ability to increase jobs while increasing work efficiency.

7. Transparency and integration with various software products. For example, an integrated logistics chain management system should be integrated on the basis of software packages in the form of a special database operating on the principle of Big Data.

8. Appropriate data format. The integrated logistics chain management system should use the data and message formats used in computer networks effectively in the operation of technical means (memory capacity, speed, network width, etc.).

It is recommended to use any accounting systems available in the enterprise (accounting, cash flows, finance, etc.) in the formation of an integrated management system. The use of existing accounting systems data prevents double-entry of data and ensures the creation of an integrated logistics chain management system in a short time and at the lowest cost, consistent with the basic idea of logistics.

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