

RESTRUCTURING ASSURANCE AND MANAGEMENT OF MATERIAL RESOURCES ACTIVITIES IN ORDER TO OBTAIN ECONOMIC GROWTH

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ABSTRACT

Restructuring the material assurance and management activities in order to boost the company's competitiveness is part of the current issue of identifying the present position and accurately establishing the importance of the current process in the company's activity. More so, once the position is established, by identification of the defining elements and the activity positioned, it is possible to analyse the trends and the evolution of the process, at the national and global levels, thus creating through knowledge, the opportunities for repositioning the resource assurance activity in order to achieve the company's objectives more efficiently, respectively the achievement of competitiveness in a constantly changing, evolving and dynamic market that is under the influence of the opportunities - threats duo.

KEYWORDS: *material resource assurance and management, competitiveness, hierarchy*

1. INTRODUCTION

A company's activity – whether or not we are referring to the one carried out within the organization or the one carried out externally, on the market – is subject to some pressure and influences coming from all directions. Manifestation that is displayed externally is a clear consequence of internal decisions and actions.

The hierarchical structure is that form of organization whose sole purpose is to „create a framework for development” for the activities. It is represented by people and sub-departments, as well as by the „reports that are establishing” in order to achieve the company's objectives. (Burduş, 2005, p. 283). In accordance with this, we have identified a series of factors that lead to the assurance of the material resources needed for achieving the objectives that were established for the organization, through their dimension, through the importance that are receiving and by the consequences that they determine.

2. DISCUSSIONS

2.1 The role of supply in the commercial function framework

The organization of a company's internal processes represent the result of a theoretical algorithm of decomposing in component elements and analysing these elements with the purpose of recomposing them based on technical, economic and personnel criteria (Burduş and Popa, 2013, p. 183).

Specialized literature showcases the company's functions paired in several streams and under several names. Most authors are gravitating around the same functional nucleus represented by: the commercial function, the research-development function, the production function, the financial-

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accounting function, the human resource/personnel function (Nicolescu and Verboncu, 1997, p. 282).

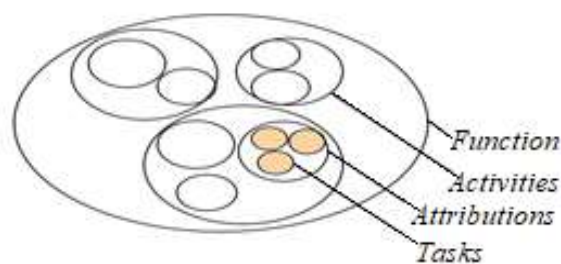


Figure 1. The components of processual organization

Source: adapted from Burduş and Popa (2013)

The commercial function encompasses processes such as the understanding of the market, of the supply and demand in order to obtain raw materials and equipment that is necessary for the activity, but also for valorisation through sales of the results obtained from the production activity. This integrating supply-selling vision is commonly found throughout the specialized literature. Two distinct activities are identified within this commercial function: supply and sell. A third activity could be distinctively outlined here, namely marketing (Nicolescu and Verboncu, 1997, p. 285).

By analysing the three components of the commercial function (supply, sell, marketing) from Koetler's (2008) perspective on the definition of marketing ("a process through which individuals or groups of individuals obtain what they need and want by creating, offering and exchanging products and services") and placing into context the idea according to which supplying represents a selling of one's needs on the supplier's market, the commercial function can rightfully justify its heterogeneous compenence - buying and selling.

2.2 The hierarchical positions of supply and handling material resources within the company

The supplying activity is obviously a complex, distinct activity with particularities and objectives that are clearly established and defined. In order to make sure tasks are fulfilled in the supplying area, the company needs an internal hierarchical structure that would take over these tasks. These structure's scale is directly proportional to the company's dimension and particularities. Separate supply services or departments with less staff can also be organized.

The hierarchical level represents the "set of organizational sub-divisions that are located at the same distance from the organization's top management" (Burduş, 2005, p. 288). In the classical approach within the commercial function, the positioning of the supply establishes a subordination relationship to a manager who seeks having knowledge of, systematizing and interpreting of environmental information (Burduş and Popa, 2013, p. 188). This approach limits the scope of the supply to an area close to that of the purchasing process, and the commercial function as a whole is placed in a reactive position towards production (buying what is required and selling what is provided). On the other hand, the importance of supply is well-known. It is "present in the organization of any company, regardless of the size and particularities of its activity", highlighting that "any deficiency in its rhythm and structure of supply is immediately experienced in production" (Fundătură, 1999, p. 374).

The classical approach in the specialized literature places the supply into the commercial function of the company. Therefore, the specialized department is subordinated to a commercial director that also coordinates the activity of selling the company's products with the sole purpose of focusing the decision on the commercial level. In this way, a specialization in the commercial relationship with the outside is established, even if we are talking about two distinct activities: buying and selling. By

doing this, the complexity of the process that is not only limited to buying, that of assuring material resources, gets to be somewhere lost.

As disadvantages, we can identify the lack of mobility, which is manifested by the difficulty in coordinating with the production process and reducing the degree of adaptation to ongoing production. It is somehow noted that by organizing a distinct department there is the possibility of separating specific storage activities.

Since the activity is complex in many ways, we appreciate the need for an internal organization of the supply service (whether it includes storage or not) from at least two perspectives:

- from the point of view of the type of activity that is carried out: it is possible to establish departments or specialists on the main lines of work, limiting the activities through in-depth elaboration and specialization: programming, contracting - orders, bookkeeping, management - storage. In this case, the main disadvantage is the hindered control and the perfect non-coordination with the production process and the flows that it requires.

- from the point of view of the object of the activity: the personnel taking over the entire set of tasks of planning, supplying and management, in unitary design, by product groups: raw materials, fuels, energy, spare parts, subassemblies, materials that are needed for its functioning.

Combining the two types leads to the possibility of setting up supply groups that are in charge with providing similar products for several consumer sectors. It is advisable to identify an open, adaptable structure that can achieve its objectives effectively.

From the broad spectrum of companies that have chosen the classical approach to ensuring material resource management, we can identify three important directions in organizing the supply departments and their subordination (Fundătură, 1999, p. 382):

- subordination to the commercial manager, on an equal level with the sales activities, coordinated with storage and transportation. As mentioned above, this situation is characterized by distancing itself from production, with the information channel being longer, thus increasing the time required for adaptation, conformation; on an operational level not knowing the production status,

- subordination to production; a situation where the stated deficiency is eliminated and the connection with the necessities of production becoming very tight. Nevertheless, in this case the role of the supply activity is strongly diminished; the close link with the other departments is lost, and the supply as a continuously evolving structure from the profit centre (as we will present in the following chapters) is reduced to a simple purchase act,

- subordination to a Deputy Director, with close links to the company management, considering the weight of the company's representing activities and contract engagement. At this level, the supervisor has access to all relevant information that is also impacting the company's activities. This diminishes the disadvantage mentioned above.

A form of organization identified as the perfect solution that would be applicable to everything does not exist. The issues are complex and require searching and identifying a solution that would be suitable for each organization. The problems that may arise and affect the activity are not exclusively subordination-related but also are extended to the relationship with the other departments, whether production, financial, research - development or human resources.

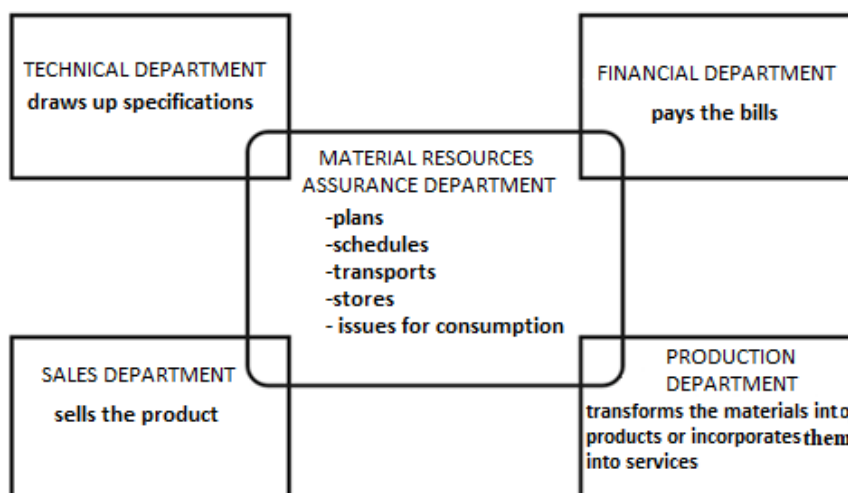


Figure 2. The internal relations scheme

Source: adapted from Bășanu and Pricop (2012)

2.3 Methods of evaluation of supply and management of material resources in order to increase competitiveness

In order to assure material resources on a company level, the specialized literature identifies four different manifestation stages pertaining to this resources' acquisition process (Lu, p. 91):

- focused on the product; close enough to the buying status and one that uses five references in order to analyse: price, deadline, quality, quantity, source,
- focused on the process, on the activity. It surpasses the level of one acquisition; one where the final result is highlighted and where the resource assurance part is at the production department's disposal,
- focused on the relation; originating from a partnership and including an exchange of knowledge. It also has a long term impact through development and integration,
- focused on the performance; acknowledging the "profit centre" role (Cârstea, 2000, p. 14).

A sector-specific needs analysis is needed in order to understand the material resources assurance and management process and implicitly the activities associated with purchasing these resources. This analysis should be carried out by the following perspectives determined by the type of relationship:

1. their position within the organization, in relationship with other sub-systems of the company,
2. the approached attitude on the upstream markets – relationships on the supplier's market.

Market presence and the way the company acts outside it, in the relationship with suppliers and clients, determines the need to define some internal mechanisms/relationships that will contribute to achieving the desired outcome. Competitiveness that is demanded on the market stems from internal resources, from stream optimization, process organization, from the efficiency of adopted strategies and, last but not least, it depends on the quality of the human resource, on the organizational culture that was adopted.

Therefore, the need to diminish the costs that are associated with human resources procurement imposed a systemic approach on the purchasing sub-system level to identify the elements that need to be integrated as a material supply management through developing internal strategies related to the upstream market. Therefore, in order to optimize the processes, throughout the evolution process of enterprises' internal organization, we observe the modification of the supply function and the passing through the following phases (Cârstea, 2000, p. 9):

- the passive phase – characterized by its direct subordination to production, a phase in which the behaviour was strictly reactive,

- the autonomous phase – where purchasing elaborates its own strategies, mainly with the purpose of optimizing its own processes,
- the participation phase – through making information available, through elaborating and implementing the general strategies of the company,
- the integration phase – in which supply acquires its proactive behaviour; the importance of participating in substantiating company strategies is also recognized.

Going through these steps certifies the validity of the integrating policies and the need to ensure a material resources management and acknowledges the importance and the organizational role. Diversification of the activities covered by the material resources assurance and management collocation (MRAM), boosts the importance of the function. Its aim is to ensure a balance between needs and available resources, moving the approach towards an integrated vision, both inside company, as well as outside it, in the relationship with the suppliers. Thus, the effectiveness of the acquisitions depends on the development level and the position in the organization hierarchy.

2.4 The importance of the material resource assurance and management function under competitiveness conditions

Evaluating this company's performances, especially in the context of its integration into a supply chain, represents an important activity. For it to be done it is necessary to identify the factors that determine the efficiency of the processes as well as those that have negative effects or inadequate results.

Normally, the evaluation can be carried out in three steps (Cârstea, 2000, p. 322):

- the general manager's perspective on the material resources assurance and management activities regarding this sector's contribution to the company's performance,
- the evaluation of the staff that have responsibilities in the material resources assurance,
- the analysis of the specific problems in the light of the conclusions drawn from the first two steps.

A correct assessment is based on using optimal instruments and criteria that are adapted to the analyses that were established in the evaluation process.

This activity is carried out by monitoring company processes, collecting information and transmitting it to the interested parties (decision-making factors within an organization, clients, suppliers and partners) in order for it to be valued by them. Additionally, depending on the desired level of complexity, control or internal audit missions are carried out either on pre-established dates or from time to time. Through control, it is possible to keep track of the comparisons of the actual results obtained with a series of performance indicators or the desired results to be met and set as a target. Thus, the results thus obtained create the prerequisites for some corrective interventions on certain points or some elements that need to be re-analysed within the strategy, maybe even to reformulate it.

The instruments that are used during controls and monitoring sessions that are carried out in order to assess the activity are of the most diverse kind, starting from the usual informatics applications (tablets, flow charts that were realized on independent office suites or either web based) up until internal or external models and benchmarks. Most of the times the data used is financial related and offer a partial image on reality. For this reason, it is necessary that a series of evaluation criteria should be established on all three levels of analysis: operational, tactic and strategic.

Identify two different performance evaluation criteria that can be used for measuring a supply chain's performance, that are: the cost and the ability to fulfil the beneficiary's requests within the established allotted budget conditions. Obviously, the main aspects to be considered in the evaluation coincide with the main objectives to be achieved through an efficient way of fulfilling the material resources assurance function:

By cost rationalization, profitability can be positively influenced. This constitutes one of the criteria for establishing competitiveness. Costs directly reflect efficiency. The main costs that are monitored in the assessment are: unit/total costs of the activity, procurement costs, transportation costs, storage

costs, production related costs, order processing costs, product costs, administrative costs etc. They can be analysed differently, by reporting or as an evolution over time.

The degree of compliance with the needs of the beneficiaries is found to the extent that the material resources provided meet the requirements. For this purpose, indicators such as: stock loss, shipping errors, returned goods, shipment period, orders launched, non-executed orders can be used in the evaluation and in their analysis, absolute values or reports on a predetermined basis, dynamic comparisons, quantitative assessments or the number of events encountered.

The quality of the assured resources can be assessed using a series of indicators that were collected from the production sector (the beneficiary of the resources), namely: the number of complaints formulated, the cost of the returned goods, the frequency of returns, value damages, the frequency of damage etc.

Resource management and the efficiency of specific procedures, both in terms of ensuring resource quality conservation as well as in term of storage activity efficiency, through the use of indicators such as: the cost of perishables or damaged/lost/obsolete goods, storage costs, the rotational speed of the goods and the level of different stock categories.

Upstream integration level of the material providing activities on the supply chain.

Also, Lamming suggested (1993, p. 96) a set of nine factors that determine the success of a supplier-beneficiary partnership. These factors that can be evaluated for this type of relationship are the following:

1. the market competition type, analysed based on globalization or local market, alliances, mergers terms,
2. the sourcing base assessed in terms of size, diversity, level of specialization, etc.,
3. data exchange and transparent information, the characteristics of the information (technical, commercial), techniques that were used (KANBAN),
4. management of capabilities, synchronization, flexibility,
5. delivery type, local, international, JIT,
6. means of approaching prices and the modifications that appear throughout the course of the contracts,
7. approaches related to quality (TQM, Kaizen),
8. the role of de research-development component,
9. the applied or self-imposed stress/pressure level.

Performance is a multidimensional concept that defines the success of a business. Increased efficiency, diminishing of stocks and of the waiting times lead to the acquisition of a larger market sector and to profitability across the material supply assurance chain. Fawcett (2007) identified five performance-defining conditions for performance: conforming to requirements; satisfaction of beneficiaries; process integration; total cost, inter-organizational cooperation as a strategic measure. Although the combination of self-assessment and senior evaluation continues to be the most used, systems that involve other managers, colleagues, or even subordinates as evaluators, are gaining more ground. (Billsberry, p. 294)

Whatever the indicators used or the applied assessment method, the effort is pointless if data are not used. In this respect, it is necessary to draw up some reports that would later be analysed in the management team. Not only the quality of the data presented, or the quantity is important, but also the way in which they are presented (Bailey et al., 2004), with eloquence being an essential condition. The results have to be analysed from a dynamic point of view tracking and highlighting the evolution over time of the indicators that were analysed, monitoring the ongoing phenomenon and reporting to the proposed objectives, although the overall trend is to present some statistical data on information recorded at a given moment.

Deviations must be prevented. Usually, the corrective measures are even more expensive and more difficult to apply or may even come in late. Thus, control actions, especially monitoring, prove their

necessity while also playing the role of reporting deficiencies, in addition to the initially established one of assessment.

3. CONCLUSIONS

The specific activities performed for the material resources assurance and management have gained proven importance for the company's competitiveness. For this reason, approaching the matter from the perspective of it belonging to the commercial function of the company is an outdated means. We believe that it is necessary to recognize between the company functions in a different way from the function of material resource assurance and management.

The hierarchical position of the material resources assurance and management department, which is subordinated to a commercial manager (most of the time) and an activity seen as subordinated to production, is proving to be outdated under the current market economy conditions. Subordinating to a Deputy Director ensures proximity to the higher decision-making body, ensures access to relevant and impact information regarding the activity, thus ensuring a superior level of performance and recognition of the activity's "profit centre" characteristic.

A higher hierarchical position grants for a superior level of relationship both within the company (with other departments with which it collaborates directly) as well as externally, thus providing a higher level of representation, which conveys a message of importance that is given to the upstream market relationship.

By repositioning the material resources assurance and management activities, one seeks to integrate the activities into the company's strategies, going beyond the passivity phase.

On a company level, taking into consideration the evolution of market-specific conditions, the need for measures that would ensure company continuity is identified. These needs would have to adapt to both the market conditions where it showcases its products as well as adapting to the supplier market. Looking at the main stages of the material resource assurance and management process, it is obvious that, from an activity complexity point of view, but especially from the point of view of the strategic importance for the company in the pursuit of competitiveness, a repositioning of these activities is essential. Hierarchical repositioning determines a superior level of responsibility, ensures a higher level of staff training, a high level of decision-making, and improved structural relationships.

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