

ESSENTIAL CHARACTERISTICS OF THE MATERIAL AND TECHNICAL SUPPLY OF ECONOMIC AGENTS

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ABSTRACT

This paper briefly describes the economic internal environment of the economic units.

Furthermore, it discusses the way in which material and technical supply is assured with efficiency in the conditions of increasing competition and of the manifestation of limitations of a particular resource or with decreasing supply potential.

KEYWORDS: *Material supply , technical supply , supply chain , supply efficiency , resource management*

The demand for services and products generates the motivation for the founding, organizing and functioning of an enterprise on the market. This determines the enterprise's profile, as well as working conditions. Its functionality implies however ensuring of material resources and necessary techniques in concordance with the defined activity volume versus the consumption demand of the market.

The material, energetic, technical and financial resources is guaranteed through the enterprise's external environment, through a process correlated and in concordance with the environment's characteristics. The outcome of the companies' activity is best improved within the same external environment, depending on the evolution of the consumption demand and of the basic principles of the competition system it operates in. Hereby results the strict dependency of each enterprise on the internal and international socio-economic environment.

Containing the dimensions of approaching the internal and international economical context to the specific issue of an enterprise's material and technical supply and the valuing of the outcome, it is considered that the degree of complexity of ensuring the material and technical layout differ between the main characteristics. Here are a couple to be noted:

- Outlining and extending the internal economic framework in which commercial and production activities take place.
- International influence of economic and/or political instability which interferes with the general commercial activity in a particular area of the world.
- Manifestation of protectionist politics by some countries concerning the import or exporting of certain products.
- Inconsistency regarding the evolution of prices, especially in the Romanian economy where frequent price outbursts combined with sudden devaluation of the local currency in regard to the currency the product is being traded in can be seen quite often.

- The increase of initial and maintenance costs for certain markets – Western European in particular – which especially have a mark on emerging and developing countries and markets.

- Low interest at this stage towards scientific research with fundamental character with negative repercussions on the future development of the Romanian economy.

- Frequent founding as well as disparition of a large number of economic agents over a short period of time as well as large number of bankruptcies of a significant amount of enterprises – factor which increases the economic country risk as well as an increase in the degree of non-functionality.

- Increasing awareness for the protection of environment - a factor of great importance for the long term development and which implies a significant amount of fundamental changes in equipment and processes used in certain industries. This also implies a change of attitude towards scientific research, which must be well supported financially for a healthy expansion.

Each of the characteristics above – which define the present local and international economic context – is of great importance and can be subject to thorough discussion. It is essential that the implicated factors are perpetually concerned in ensuring a favorable economic climate which best values the human society and disrupts unfavorable behavior for a steady and long term development.

Economic agents must always be aware of the local and international economic context that concern material supply issues. Thus, the process of material and technical supply becomes more complex and difficult and as a result, more factors are to be weighed in. In order to obtain – as any economic agent should – maximum profit, thorough attention to detail must be ensured as early as the process of material and technical supply, considering that the fundamentals for profit are assured from this stage. This is because, any discount obtained upon purchasing through negotiations regarding the supplying terms ultimately means a discount for the buyer. Acting in this sense however is restricted by a series of factors and situations that can restrict the balance between sellers and buyers in the market. Among the main factors are:

- Structure potential of raw materials
- Number of suppliers
- Financial potential of suppliers and buyers
- Initial, maintenance, transfer and/or exit costs of a market
- Temptation towards illegal action
- A product's market share
- Managers' and negotiators' professionalism

On this background the following question arises: What needs to be had for an efficient supply activity that is correlated with the interest of the consumers and the principles of the market? The general consensus seems to be that each economic unit needs to elaborate an efficient strategy when acquiring raw materials and technical equipment. When setting the terms for such a strategy internal factors of the economic unit as well as general market fluctuations must be taken into consideration.

One of the most important internal factor of the economic unit is the process of identifying and evaluating the need for material and technical equipment in relation with the demand for consumption. From this point of view, one can observe a complete lack of responsibility in the economic units after 1990. Furthermore, the process of action control regarding utilization of resources in the enterprise has been either altered or completely eliminated which inevitably has negative influences on the financial results of any

particular unit. To prevent this from happening, dynamic programs of material supply must be implemented. These program should coordinate different stages of the supply system in concordance with demand. This will prevent storage of material over a long period of time and consequently will enforce a more efficient use of funds.

At the same time, careful attention must be paid to the management of resources because of the important economic significance of this process.

Starting with the strategy used when buying raw materials and with stock management, the timing of ordering becomes crucial. It is considered that certain stage of the supply management are not defined by rigid procedural delimitation, but by adapting the particular process to the new elements which appear in the internal economic environment. However, any adaption to the fundamental process must be carefully integrated in the supply management system.

Of fundamental importance is the concretization of economic relations through the ensurance of the raw and technical equipment. Therefore, studying, prospecting and market research for any potential raw material source on any market is mandatory. Selecting and testing the credibility of future suppliers; careful documentation which will lay the foundation of sustaining the interests of the economic unit throughout the negotiations of future supply conditions; finalizing negotiations base on contracts – these are all important actions that any market economy involve a constant change of attitude and mentality regarding the supply management and the general managerial activity of any economic unit.

The characteristics of the market economy must be taken into consideration when approaching the issue of specific material supply. Careful attention has been paid towards the elaboration of strategy in the supplying process, the organizing and securing commercial relations between the economic agents in relation with their market share. Also important are the selection of business partners, testing their credibility and the process of organizing and finalizing of negotiations.

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