

# The Strategic Role of the Material Resources Ensuring Management in a Crisis Context

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## *Abstract*

*In the conditions of the current crisis, there is an increase in the importance of ensuring the management of material resources. A strategy to ensure the necessary material resources on the suppliers' market is mandatory as a result of the growing role that this function holds in the present economic conditions and of its integration into the strategic activity of organizations. A strategic and proactive function of ensuring material resources can offer your organization a competitive advantage by reducing costs in the value chain. Nevertheless, resource-ensuring strategies cannot be developed in isolation, as they must be integrated into the overall strategy of the company so as to fit harmoniously in order to be able to achieve their goals and to contribute to the success of the whole system of the organization.*

**Keywords** *economic crisis, management of ensuring with material resources, strategic role, strategy*

**JEL classification:** L22, M19, O12

## **Introduction**

In the last few years, the producing companies confronted with extremely difficult problems, mainly caused by the economic instability, inflation, shortage of the product's lifecycles, environment protection, change in market requirements and diversification of the demand. All these problems are impediments in finding the most efficient and efficacious way to organize and deploy their activity.

In a crisis context, the majority of the organizations are focusing their attention to the clients and satisfying their demands while maintaining a good profit is crucial for each organization's existence. The deployment on good terms of an organization's activity and the fulfillment of its strategic objectives is conditioned, on the one hand, by the ensuring of a certain quality and quantity of the material resources, in the place and the time limit required by the consumership and on the other hand, by the commercialization of the products resulted from its producing activity because selling the products is a necessary prerequisite for producing more. The company can't function without the clients, or the suppliers. Each depends on

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the other, so the managers' efforts, their competence and their attention must focus on both sides. The activity of ensuring the material resources must be monitored and managed with the same efficiency as the activity of selling products.

Under the pressure of the internal influences, like the increasing of the level of the expenses with the raw materials and with the materials acquired from the outside, the high percentage these resources represent out of the company's total costs, the installation of some integrated systems, the management's importance in ensuring the material resources increases.

**Material resources ensuring management represents a series of activities deployed inside the organization in order to ensure the elements that are necessary for the productive consumership with efficiency and effectiveness.**

The role of the material resources ensuring management is that of achieving a balance between the needs and the availability of material resources, for the organization to be able to deploy its activity in optimal circumstances. In order to do that, three stages must be covered, which are (Fundătură, D., 2005, *apud* Papari G., 2007, p. 12):

- upstream activities, representing activities regarding the ensuring with the material resources;
- production activities, represented by the processing and by passing from the stage of supplying to the one of realizing new products;
- downstream activities, meaning activities of finalizing the processing cycle of the material resources and of delivering the end products to the market.

As it can be noticed, the upstream activities (of ensuring the material resources) can be undertaken according to an integrated and dynamic vision, thus solving of the problems faced by the organization in the circumstances of an economic crisis, leaving aside their contribution to the added value given to the whole supplying chain.

### **1. The evolution of the resources-ensuring management in a crisis context**

**This crisis, more than any other disturbing factor, provoked a rough breach in the management's daily routine, involving major transformations in the management process, with deep implications in all management's functions.** The crisis in management can be explained appealing to the classic metaphor of "getting blood out of a stone". On one hand, in a crisis context, an efficient management it's needed, more and more, and from the other part, there remain less and less appetite, competencies and will to exert it. **Regarding to the enterprise strategic management, the first aspect of the relationship crisis-strategic management is the one regarding the necessity of a coherent strategic approach capable to ensure the necessary performance for facing the competitive competition.** (Deac, 2012).

In the context of the current crisis, the resources-ensuring management must have a crucial strategic importance. The role and the contribution of the material ensuring process gradually increased; the emphasis laid on its importance and acknowledgment can be explained giving several reasons. Some of them will be specified below:

- the great percentage of the material resources out of the total production cost ( 30-70%)
- the significant increase of the external expenditures as a result of a rising specialization
- the increasing interest of finding some external suppliers
- a focus on the supplying chain and therefore on the process of material resources ensuring because of emerging new ideas regarding the product quality and the avoiding of wasting resources
- the example of good practices given by the leading organizations which can be lately distinguished through a strategic approach of the material resources ensuring process
- the necessity of increasing the flexibility and the receptivity of the organizations that can comply with this requirement only if their suppliers surface the same characteristics
- the clean-cut delimitation of the contribution of the material ensuring process by using highly advanced informational technologies.

In spite of the fact that 2009 ( the year in which the economic crisis began) represented, according to the analysts, the year in which the sellers' market was replaced by the "buyers' market", and, in the war between the supplier and the buyer, the power given to the later increased, the acquirers having to struggle a lot, because of the constant pressure exerted by the top management, in order to determine them to obtain competitive discounts and due dates in the best possible circumstances. In the same time, the suppliers tried to convince them to buy as much as possible, to increase their backlog of orders (in the context in which the demand was decreasing significantly), but in the same time to maintain their due dates, being pressed by cash-flow problems.

Under this extreme pressure, many buying organizations weren't capable to accomplish their goals, both out of objective reasons, but also due to some errors generated by the lack of adequate analysis tools, or by the ignorance of some specific methodology that must have been used at that time. This way, it can be noticed (Spiridon S., 2013): an incapacity to focus on the relevant aspects, an insufficient preparation for a negotiation with the suppliers and the lack of a deep analysis before deploying a new product.

The incapacity to focus on what really matters is usually a characteristic of the organizations with an extended product portfolio and with many suppliers. The lack of a clean-cut segmentation of the product portfolio and of the identification of those products for which there must be signed partnerships led to consuming the organization's resources in less profitable areas.

The insufficient preparation for a negotiation with the suppliers, the lack of a well-documented analysis, diminished the chances to convince the suppliers to grant them some supplementary facilities (for example, involving in promoting some products that had a high profit potential).

The lack of a deep analysis before deploying a new product resulted in the disappearance of a significant percent of the products launched on the market.

The resources ensuring function plays a very important role in creating and deploying of new products. Due to the advances in the scientific development and in the top technologies, the products' lifetime has decreased. In a strong competitive environment, demand-dominated, it's more and more important to use some innovative, high quality raw materials; only this way, manufacturing new products will be successful from the very start, this products addressing exactly the market's needs. At the same time, the resources ensuring function plays a crucial role in revealing information about the novelties in the suppliers' market. Due to the specialization, the majority of the new products are being developed more likely as a result of the innovations brought to the supplying market, and less due to the research and design of the producing companies. The faster these items of information become available, in other words the tighter the relations with the suppliers prove to be, the easier the companies will be able to have the best of their competitive advantages.

While the supplier play an important role in informing the potential user about the novelties from the market, the buyer has a key-role in identifying the innovations from the suppliers' market, being even able to play an active role in promoting these innovations. The material ensuring function must involve in the activities of planning and development of the organization's policies when they infer decisions related to the new products development, the long term economic availability of the raw materials and the price fluctuations.

In this current crisis context, the effectiveness of the material ensuring function will depend on its development stage, in other words, of the type of function it will be: administrative or strategic, reactive or proactive. An underdeveloped function, reactive, cannot bring an authentically strategic contribution.

Therefore, the companies must renounce to the simplistic approach of the material resources ensuring activity, according to which this function only refers to the action of buying goods and services at a low cost, the company having to choose from various suppliers.

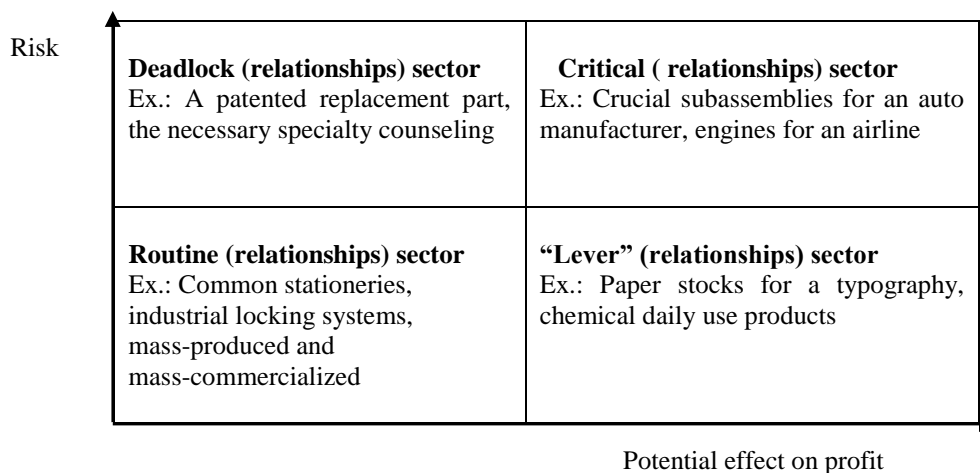
This approach to the material resources ensuring is known as the "**transactional approach**" and it's grounded on the theory that the supplying activity is limited to simple exchanges, in which the buyer and the supplier interact according to hostile, somewhat opposite ground rules. According to this perception, the buyer's main interest would be to acquire as many resources as possible, paying a minimal sum of money (Baily, P., Farmer, D., Jessop, D., Jones, D., 2004). In the current context, "the transactional approach" can't be thought to be an adequate perspective from which to analyze the majority of the company's

expenses regarding the material resources ensuring. Therefore, the company must focus on creating a relationship of reciprocity between the supplier and the buyer, on the actions undertaken together to obtain a satisfying result for both. **Both partners must invest a lot of effort and trust, to identify the common interest in their desire of obtaining added value, a process which would be impossible in the case of the “transactional approach”.**

It’s a known fact that the developing of a partnership relation between the consumer and the supplier can’t be always attained and it wouldn’t be efficient for all the resources and all the suppliers. The types of resources suitable to establish a partnership strategy are “the strategic resources”, their main characteristics being: (Cârstea Gh., 2000):

- a great economic importance;
- a heavy risk when it comes to their availability on the market.

In this case, the method “acquisition positioning” (Krajlic, 1983 *apud* Baily, P., Farmer, D., Jessop, D., Jones, D., 2004), illustrated in figure 1 is extremely useful when it comes to identifying the products and the suppliers for which it would be best to be established partnerships.



**Figure 1. The “acquisition positioning” method**

The ordinate (the y-coordinate), called “risk”, relates to the risk taken by the buyer in case in which the supplier isn’t able to deliver the product or the service in due time, or of a failure in supplying. The abscissa (the x-coordinate), called “potential effect on profit”, shows the amount of the potential contribution of the material resources ensuring function to the profitability of the client organization. The potential profit can be achieved either by paying a lower price, or by employing more efficient supplying methods.

Studying the graphic representation it can be noticed that, while the buyer takes advantage of the materials or the suppliers’ positioning in the “lever” category, the supplier wants to sell the products which are positioned in the

“critical” category. It can be easily inferred that there isn’t such a thing as a unique, perfect method of approaching the relationships with the suppliers: “the transactional approach” can prove to be adequate for the daily, routine, acquisitions, while the “strategic approach” shows some real advantages for a reciprocity relationship when it comes to an extremely important sector.

Across the value chain, the material ensuring processes represent a good opportunity for optimization, now that these processes’ globalization resulted to an increased competition regarding the prices. In many cases the supplying potential is being underestimated, due to a lack of transparency of these processes and due to the insufficient evaluation of the costs of the material resources ensuring, many organizations claiming they were satisfied with the buying prices.

The total supplying cost represents more than a simple price, even if the price is the most visible and the most important component of the total cost. An important factor that influence the total cost is represented by the bought technical parameters. The material ensuring function, corroborated with the production must give vital information about the constrains, the opportunities related to the technical product parameters and about the delivery possibilities.

Another factor that influences the total cost is represented by the stock level. In a crisis and inflation context, it’s necessary to evaluate the suppliers’ market, in order to ensure the raw materials and the necessary materials for the production activity. In the same time, there must be taken into consideration the price fluctuations, the product availabilities, the physical and financial resources.

In order to increase the performances of the material resources ensuring process, the company must appeal to the most modern methods related to the materials’ management and the current trends from the international markets:

- putting in practice some integrating ideas and methods (establishing partnerships with the suppliers in order to obtain advantages in material resources ensuring, the evaluation through comparison of the best practices, total quality management, integrated systems like JIT, client-orienting);
- assigning some stages from the material resources ensuring process to the suppliers;
- risk management in the supplying chain ( including the risks regarding the increased outage of the technical and economic knowledge, the availability and the prices);
- identifying the “price-establishing chains”, for a correct assessment regarding the concrete possibilities of establishing a certain price, getting rid of those intermediaries that don’t create an added value, their role being limited to increasing the price;
- organizations’ specialization in a limited activity area, needing to buy a part of the necessary resources from the people with a highly specialized experience and design rights regarding complex or advanced technologies;

- increasing requirements regarding the ethical and the ecological aspects of the material resources ensuring process ( concern regarding the impact of the waste products and the remnants, recycling packages, etc.);
- governmental and European Union policies which restrict the freedom of decision regarding the policies and the practices related to material resources ensuring.

## **2. Strategic aspects of the material resources management in the current crisis context**

To reach the goal and to balance the objectives of the material resources ensuring management with the general objectives of the organization it must be elaborated a strategy meant to make the activity efficient for a long term. (Deac, V., coord.,2012).

The environment influences the strategy chosen by the organization. In the current crisis context, the material resources ensuring strategy must have in view the strong points' exploitation and capitalization, in order to take advantage of the opportunities, and the diminishing of the weaknesses' results, in order to neutralize the menaces. In a complex and unstable environment, characterized through an economical-financial crisis, the decisions regarding the material resources ensuring necessitate the most complex informing and the most solid analysis of the circumstances in which these are to be taken. Thus, the elaboration of a strategy related to the material ensuring field allows adopting these decisions only when it's being reached a total knowledge of the factors that influence this process and of the most convenient supplying possibilities.

The necessity of having a material ensuring strategy on the supplier market is obvious, as a result of the increase in importance of the role it plays in the current economic context and of its integration in the organization's strategic activity,

In order to analyze the strategy's role in material resources' ensuring, the strategy must be defined in the first place. The organization's strategy is defined by all the actions undertaken in order to establish the organization's fundamental objectives, the means of achieving these objectives (the strategic directions), the actions undertaken to assign the necessary resources, the priorities and the way it answers the environmental changes, all these being undertaken in order to obtain the competitive advantage and to fulfill the organization's goal. (Nedelea, S., 2008).

In the past, the material ensuring process tended to involve more in operational activities and less in strategic ones. In the current economic context, the material resources ensuring must partake more and more at the process of taking the tactical and strategic decisions. We can enumerate the following reasons regarding the involvement of this function in the strategic, decisional process:

- material ensuring process is a field in which there can be obtained cost cuts and, even more than this, an added value related field;
- the speed with which the technologies and the products are being developed necessitates a management team capable to cover all the organization's functions, ready to adopt a process-related management method, not a functional one;
- the evolution toward holistic-like methods, capable to integrate the external and internal processes, in order to optimize them and to make them as efficient as possible ( MRP method - Materials Requirement Planning, ERP system - Enterprise Resource Planning, EDI system - Electronic Data Interchange, concepts related to the supplying chain theory – value flow, transmission channels management);
- the cost cuts, by getting closer to the suppliers;
- the need to lay emphasis as much as possible on the strategic costs of the material resources ensuring function and less to the short term prices;
- the increase of the expenses related to the ensuring of material resources from the outside and their impact over the profit;
- the desire to get closer to the Japanese model, which has perceived this activity as an important strategic activity and which proved to be efficient.

In the current economic context, one of the main problems which the organizations face is the incapacity of the material resources ensuring process to play a proactive strategic role. The managers must have in mind that not only the sale markets need a strategic approach, but also the ones related to the material resources ensuring, as they offer opportunities whose exploit can lead to competitive advantages. In what concerns the competitive advantage, in the material resources ensuring field there are to be exploited those possibilities of valorizing the price related advantage, the producer-intermediary-organization flow and of obtaining some advantages the competition can't obtain. (Deac, V., coord, 2012).

A weak function, reactive and administrative can't possibly bring authentic strategic contributions. More than that, the traditional management, which used to function according to functional criteria, can generate territorial conflicts and lacks efficiency, because each function tends to reach its own objectives, without having in mind the other functions' objectives. Therefore, there must be established the developing stage of the material resources function and its development must be outlined. According to the new managerial concepts, this activity must be organized according to a processual method, involving team work techniques and the permanent monitoring of the established objectives, while appealing to integrated management methods and renouncing to the methods addressing to each organization's segment. The processual structure represents a more rational and efficient method to approach the flow of resources that enter the company, transform themselves and leave it, this way maximizing the added value and minimizing the costs. This type of structure lays the emphasis on the global



efficiency and, taking this approach, the chances to integrate all types of company's strategies increase.

A strategic and proactive material resources ensuring function can offer the company a competitive advantage, cutting the costs across the value chain. The material resources ensuring strategies cannot be used in isolation; they must be integrated in the company's global strategy, incorporating itself in this strategy, in order to fulfill its objectives and to contribute to the success of the whole company's system.

**In order to elaborate and select the strategy to be employed, it must be established a frame of reference based on various factors, like: the organization's position in its supplying chain, other organization's strategies, the competition's position in the supplier's market but in the same time on the end consumer market, the number of the efficient sources from the material resources ensuring market, aspects related to the suppliers' development, the market's development tendencies, the implications brought by the decisions of producing or supplying, the informational systems development, the rhythm of the technological development on the two markets, the company's capacity to design a strategy.**

For a greatest efficiency of the material resources ensuring strategies, they must be grounded on complex analyses, on comparing the possibilities, on a detailed planning of the way they are to be put in practice. Due to the fact that, generally speaking, there aren't some immutable rules on the market, these tasks can be achieved only with the involvement of the best executive officers, being imperative for the professional purchasers to allot the proper resources to the strategic aspects. In fact, the way in which a company perceives its own qualities and flaws shows its vision related to its own force position in relation to the other actors involved in the market. Its capacity to perceive both the opportunities and the menaces and its capacity to find the proper strategies to gain a balanced position in the market are aspects that lay a good foundation for its success.

There are various strategic positions that a company can appeal at, but none of them can secure its success. The types of strategies below can be a good start: (Papari G., 2007):

- **strategies related to the actual process of material resources ensuring – everything related to prices, quantity, due terms, quality, etc.;**
- **strategies of decreasing the costs related to the material resources ensuring field – acquisition costs, stock management costs, supplementary processing costs, etc.;**
- **strategies of anticipating the environment evolution and strategies related to taking the necessary measures to adapt to the new contexts, without delays;**
- **communication strategies, meant to warrant an efficient supplier-buyer relationship, both exploiting all the advantages this relationship involve.**

As it was highlighted above, in order to elaborating a material resources ensuring strategy, the company must analyze several factors that operate at the

organization's level. These factors differ according to the branch and the organization they operate at.

A factor that should be common to all branches and organizations is the need to discover all the advantages the competition doesn't have and of efficiently exploiting them.

### **Conclusions**

In order to overcome the current crisis, the material resources ensuring process must be totally prepared to contribute to generating new ideas and practices, in a fast and efficient manner, exploiting the advantages the competition can't take. To meet this condition, both the interface with the rest of activities inside the organization (activities related to production, marketing, financial activities, etc.), altogether with the interface with the organization's suppliers and clients.

It's crucial for the managers to focus their attention over the development of the method of approaching the suppliers, the negotiation of the long term relationships, perfecting the supplying chain and decreasing the total costs, but also over a proactive, long-term approach, suitable for meeting the future demands.

In an environment in which the risk taken and the uncertainly degree is higher and higher, an organization's ability of elaborating and applying strategies, including the ones related to the material resources ensuring depends, mostly, on the approach of the managers, the experience and the organizational culture. All these factors will influence the efficiency of the adopted strategies.

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