The Significance of Resources Purchases over the Business's Competitiveness

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Abstract

The company's success is based on its competitive advantages relative to competition, acquiring and maintaining them becoming priorities for management of the organization, so by building sustainable entity to be able to pursue the objectives set. An important role in sustaining continuous activity, at full capacity, with a higher profit of the company it has the supply of material resources that provide the materials necessary for production consumption in volume, structure and corresponding deadlines. All the elements of cost associated to insurance and resource management necessary for production are a key factor in generating value final product and diminish them by exercising control over specific costs, based on a careful management, adapted to the market economy, it becomes a source of profit growth.

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1. Introduction

Competitiveness is the characteristic of the company to face competition, representing a key factor in its success on the competitive market. In a market economy, the companies compete with each other to increase their market share and the competition stimulates and rewards companies which prove their efficiency, responding rapidly and flexibly to changes in the market. Trade competitiveness, an important part of thecompetitiveness of a company, may be evaluated according to the following aspects: turnover, commercial reputation of the company and / or the product, brand image, customer loyalty, market share. The concept is relative, being the result of a comparative analysis performed over a given period of time, as a one time measurement might be insuficient. It involves maintaining or increasing performance, lasting success, of expressing and maintaining perceptions of safety, efficiency, quality, versatility, superior products at optimum costs. Competitiveness is measured by relating to indicators such as: profit and profit rate, the threshold of profitability, productivity, efficiency ratio of inventories etc. and expresses the ability to meet consumer preferences in terms of economic efficiency.

Competitiveness is, as a concept and expression, inextricably linked to competition, the competitive environment being the place of manifestation, but also thecatalyst in the companies' fight for supremacy in the market. The factors involved in acquiring competitiveness are: profitability as eloquent indicator ofefficiency, productivity of the internal processes as anabsolutely necessary step, improving thequality of the product while decreasing the cost factor that determines the profit, the expansion of the capacity of production and market expansion, as well as the adaptation of the products to the changing requirements of the customers.

Most authors position "the quality / product performance first among the key factors of success in the company's effort to position itself on the market" (Baily, et. al. 2004, p.53), having also the alternative of cost orientation, with the primary objective of lowering costs. However, the product may be considered truly competitive if it were of good quality and provides adequate performance for an acceptable price. The strategy focused on quality ensures long-term competitiveness and it leads to an improved company reputation, also, the market development for the product and, onthe long term, towards reduced costs.

2. Competitiveness and the role of resources purchases

The ability to sell at prices lower or equal to those of other suppliers, for the required quality, represents a competitive advantage. The competitive advantage takes two forms: the cost advantage, aiming to achieve the lowest cost per industry, usually by respecting some standards, and differentiation, obtaining a unique product, whichusually generates increased costs.

The company's success relies on its competitive advantage relative to competition, acquiring it and maintaining it becoming a priority for the management of the company so that, through a sustainable construction, the entity may be able to pursue its set objectives.

Another company objective, especially for the competitive companies, must be sustainability, aspect which, passing beyond cost and efficiency, ensuresa long-term competitiveness. To develop in terms of sustainability, the company must consider some strategies (Fundătură *et al.*, 2005, p.6):

- the management ofsustainability should cover all departments. Among them, the management of resource sustainability involves having an appropriate attitude aimed at preventing the wastage of water, energy, raw materials;
- the sustainable innovation and adaptation of the entire system by adopting the technical progress and know-how. The measures taken in this direction may be reactive or proactive and will inevitably lead to reducing consumption;
- the eco-efficiency pursues meeting the goals of the organization without ignoring the need to reduce the negative environmental impact;
- The sustainable competitive advantage,whichmay be maintained for a longer period. In this regard it must integrate sustainability as an objective, including it in the supply chain by developing relationships with partners who have on medium and long term their activities and interests oriented also throughout the spectrum of sustainability.

3. The Role and position of supply within the organization

"The supply of material resources represents the activity through whichthe necessary materials for use in production are ensured, having the volume, structure and deadlines to support a continued activity, at full capacity, the economic unit obtaining profits as high as possible" (Cârstea, 2000). This definition delimits the coverage area but also highlights the dynamic nature of the activity.

With a range of responsibilities clearly defined at company level, the supply subsystem has a series of goals, regardless of the specific activity of the entity to which it belongs: supplying theneeded goods and services, at the right place and at the right time, finding the optimal formula for efficiency in order to meet the requirements in terms of quantity - quality - place - time - price, minimizing inventory costs, costs related to storage, deterioration, obsolescence, etc., cultivating a mutually beneficial relationship with the performant suppliers, identifying and contracting alternative supply sources, maintaining the dynamic through continuous adaptation to the market characteristics andtrends, managing good relationships with the other structures of the company and enforcing a management based on professionalism.

The supply activities include all necessary activities in order to ensure the material resources necessary to achieve the objective of the organization, namely the production of a sellable product in a competitive market. The supply subsystem includes the organizational elements involved in carrying out these activities. To this purpose, the subsystem must have a place in the organizational scheme of the company. Its form depends on the factors and parameters mentioned above, and may be a structure in one of the following forms of direct subordination:

- The general manager - a situation that has the advantage of supplying directly the manager of the company with valid(unaltered) information concerning the situation of stocks, consumption, supply flows. The downside is represented by the break with the structureof production,the direct

beneficiary, by the existence of intermediaries.
- The commercial director, heading the supply and sales structures - a situation which has the disadvantage of breaking from production, but which is close to the market, thereal commercial situation of the company, both as recipient and as provider, in turn;
- Production manager - passive state of supply.

The supply structure may take many forms, including:
- a separate department of supply with warehouses, having the advantage that the decision and responsibility are merged, but being characterized by a low degree of flexibility;
- supply tasks incumbent toproduction (consumer) sections, the supplytaking place with maximum efficiency, per groups of materials, each group of this type bearing responsibility for the entire process, fromsubstantiating the request, researching the market, choosing suppliers, reception of goods, management etc. Theimmediate disadvantage lies in the supply and management costs. It is also necessary to mention that this form of supply is not fit for all company types;
- a combination of the two types, by setting up groups of supply: heterogeneous materials for certain sections (as recipient) or homogeneous materials for different sections (depending on the materials).

4. Conclusions

The best version, in this situation, is identified in companies which tend towards open systems of organization, demonstrating flexibility and which can adapt easily to the demands of production, taking the form ofnew organizational structures generated by concrete needs.

The supply, according to its specificities, is considered a costs generating activity, thus making supply a determinant factor when establishing the value of the final product. "The cost of supply represents all the elements associated to the activities of insurance and the management of the resources necessary for production" (Cruceru *et al.,* 2013). By reducing these costs (tighter control of acquisition costs), the supply exceeds the"source of spending" status, likely becoming a source of profit growth. The supply cost includes: acquisition cost, transportation cost, administrative costs for placing orders, storage costs, shortage costs, other costs. The acquisition costmay be reduced by obtaining discounts based on quantity (collaborations with other purchasing companies may be established in order to purchase larger volumes) based on promotions or advance purchase (if suspected that the prices might increase), negotiating favorable payment terms, identifying and usingsubstitutes, etc.The administrative costs (inventories, management, placing orders, reception of merchandise, control, etc.), costs of ownership (maintenance and storage of stocks - rents, depreciation, insurance, wear, administrative expenses, etc.), shortage costs (costs arising from the rupture of stock and the decrease of revenues as a result) are subject to the same rules: reducing them reduces the cost of supply which results in increased profits.

From this perspective, in the analysis of the supply appears the concept of *profit center*. "Profit Center represents the organizational link which may control both the costs (inputs) and revenues (outputs)" (Dumitru, 2005). In this regard, the supply acts as a source of savings and as a profit center by exercising control over specific costs. Explaining this phenomenon may also be achieved by applying the "principle of the lever": lowering the supply costs by a percentage determines the increase in production (by purchasing larger amounts of raw materials using the same capital) or the increase of the profit share (when the sale price is preserved). This increase is higher than the effect of a similar reduction in the other areas of activity of the company.

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