

# A PRACTICAL APPROACH TO MANAGEMENT, LOW COSTS OR QUALITY

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**Abstract.** Nowadays there are private companies that have a timely and efficient logistics organization, but nevertheless can not speak of the actual organizational structure of logistics in these companies. This is explained by the absence of successful logistics strategy and an appropriate organizational culture in Romanian companies. To increase the quality of products and services should start from improving the quality of raw materials and intermediate goods. Cooperation between the manufacturer and its suppliers can contribute to this goal. On the other hand, cooperation between a manufacturer and its customers can improve product and service quality to the customer (especially if the client is the main actor in the production process). Customers provide feedback on what they want. Without this information, producers should produce, but will not know if the products meet market needs and whether the products will be sold. Thus, we have access to accurate, real-time movement of products within the company (knowing at any moment the stage is a product or raw material) but also the production-distribution-sales flow.

**Keywords:** economy, efficiency, methods to reduce costs, product quality, cost reduction indicators

## 1. Introduction

Quality and cost are two separate issues, but rather are related. It makes no sense to buy products that lack quality, even if the price is attractive.

In this case the cost reduction activity may only be required there, where there are doubts in this respect only when we know the nature and volume of reserves, and the factors that could lead to their optimization. One of the most important conditions to be met by measures to reduce costs is to not adversely affect product quality, and generally represents the value that these customers. At the same time, solutions should not adversely affect outcome indicators of the nature of the enterprise workload. This means that the level of cost optimization solutions to be long term.

## 2. General information

Connections acquisition, new alliances or mergers have been created, to penetrate new markets, even between competitors. The best known are the automotive and banking. They have taken existing customers, which tries to further his loyalty. One way or another, companies require business to become his allies and co-producers.

During this period, the overall production capacity (supply potential of the material) is higher than the demand, results in a much more competitive than ever before. In turn, customers move to adopt consumer behaviour difficult to predict. Therefore, demand uncertainty is an important feature of the market. For a company to remain on the market it is necessary that:

- to find new markets;

- quality products and services are greater than ever before;
- cost of goods to be smaller than before.

Staying on request, the current situation when the company needs to reduce delivery times to meet demand quickly and then implicitly demands satisfaction index becomes smaller. Because of strong competition and product life cycle smaller, companies must produce and deliver small quantities generally in the manufacturing cycle.

Figure 1 presented that half of the pyramid is the solid foundation for building business. Newest logistics management methods appeared in the field are based on internal communications. What results is problem-solving immediately without disrupting the production flow.

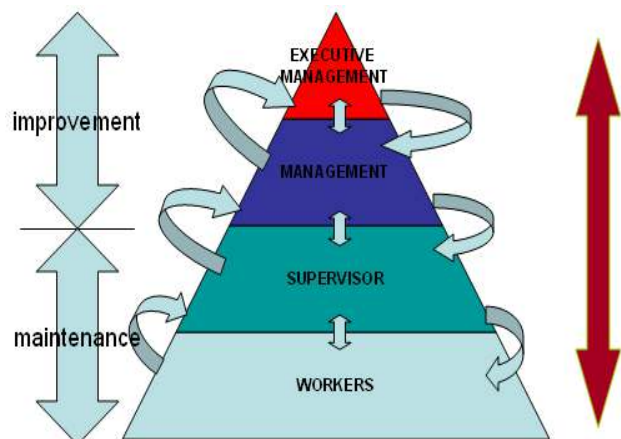


Figure 1. Communication in the company

It's evident that our customers come into contact with us for advices, service, or claims handling. Apart from the comprehensive digitalization of our

processes, even very simple changes can make an important contribution.

Information flows, it constitutes an integral part of the logistics system, they facilitate the implementation of all activities, whether basic or supportive. Logistics information makes possible operations planning and control, contributing to strategic decisions and operational efficiency. As activities related to the proper functioning of logistics information system should include: gathering and processing, analysis, reporting, and when necessary, establish procedures for data storage, information flow control, etc.

In logistics activities of a dynamic nature, an activity support at any time can become basic and mutual activity being true, depending, in particular, the changes that occur in each strategic business unit [2]. At the same time, it is mentioned that the classification of an activity in a category may differ from one firm to another, depending on a number of factors, the most important activity but is still subject.

### 3. Problem formulation: low costs or quality

Essential that companies take into account the cost reduction activity:

- chooses the most efficient production process, from technical / economic / ecological;
- seek to purchase raw materials as far as possible, the lowest prices, without neglecting quality;
- reducing consumption of production factors per unit of output by increasing their efficiency;
- reduce the costs in all phases of work with input research and design phases, up to management and control;
- achieve objectives, taking into account available resources, the conditions of production in the context of economic constraints.

A feature of logistics activity is the possibility of outsourcing certain departments or operations of the logistics cycle. It can outsource:

- accounting / banking / insurance;
- transmission / distribution ;
- storage products.

### 4. Problem solution

After implementing these improvements continue, work will increase by 30 % the number of operators is constantly delivery volumes will increase by 25 %, while bills reduced by 5 %. "Six sigma" approach to improve picking accuracy and the percentage of complaints will decrease. Technique using "lean" for the co-packing and

labeling will be able to raise capacity by 50 % using the same equipment and space to redesign it.

In addition, following the improvements made in terms of security will not be reported thefts from warehouses. All of these improvements were only possible due to strong synergies between the various functions of the company. In other words, there must be a team effort.

A criterion that must be included in cost-cutting solutions is efficiency other words to involve an effort whose cost is justified by the effect obtained in terms of increase in the ratio resources consumed / value created. Then it will move to the next level to the performance [6].

Reducing costs requires raising skill levels of workers, improving production machinery, manufacturing technology, activity management, management and leadership, physical stimulation leads to increased productivity.



Figure 2. Sample table, it shows us the quantity of production

The types of signaling on the shop floor are flashing red lights, orange or green, acoustic warning signals, noise operation of equipment, etc.



Figure 3. Visual management - periodic information

Visual management can take shape in the form of KPIs that relate to production quantity, speed and quality, as well as machine uptime and downtime.

Visual management is the process of displaying critical information about an operation in a way that is highly accessible and understandable to anyone entering into a work place.



Figure 4. Production flows Italy Iveco

Visual management is based on indicators, which all staff of the company has to know and understand them. Visual control communicates very effectively the information needed for the decision. An example is the use of colored tools in baskets with tools to indicate which instrument should be used in a certain place. This is an effective way not only to encourage proper storage of tools, but allows almost instant verification tools lack. Visual control is often replacing numeric or textual data

with specially designed graphic displays whose meaning is quickly charged and thus more effective in communicating the message effectively.

Today's solutions also offer the ability to keep remote personnel informed via a web-based interface, allowing on-call maintenance or travelling managers to keep abreast of their processes' performance. These devices also offer the ability to send status updates and alerts via text messages or email for the ultimate in andon communication.

The web-server may also interrogate the devices regarding their product stocks, in order to determine restocking necessities and calculate restocking times and transport routes (it is useful to determine the shortest route to be taken in order to restock all devices that require it) [1].

Quantifying efficiency management system, implemented global assessment is operation management system redesign. It is designed to measure the performance of quantitative/qualitative and perform comparative analyzes on previous results and the fulfillment of the objectives, standards and criteria envisaged [5].

Visual management can take shape in the form of KPIs that relate to production quantity, speed and quality, as well as machine uptime and downtime. The result is a reduction in losses by 25 %, improved productivity, reduced cycle time for production, reduce inventory. Also, for a task as performance review and target company may implement monthly sites.

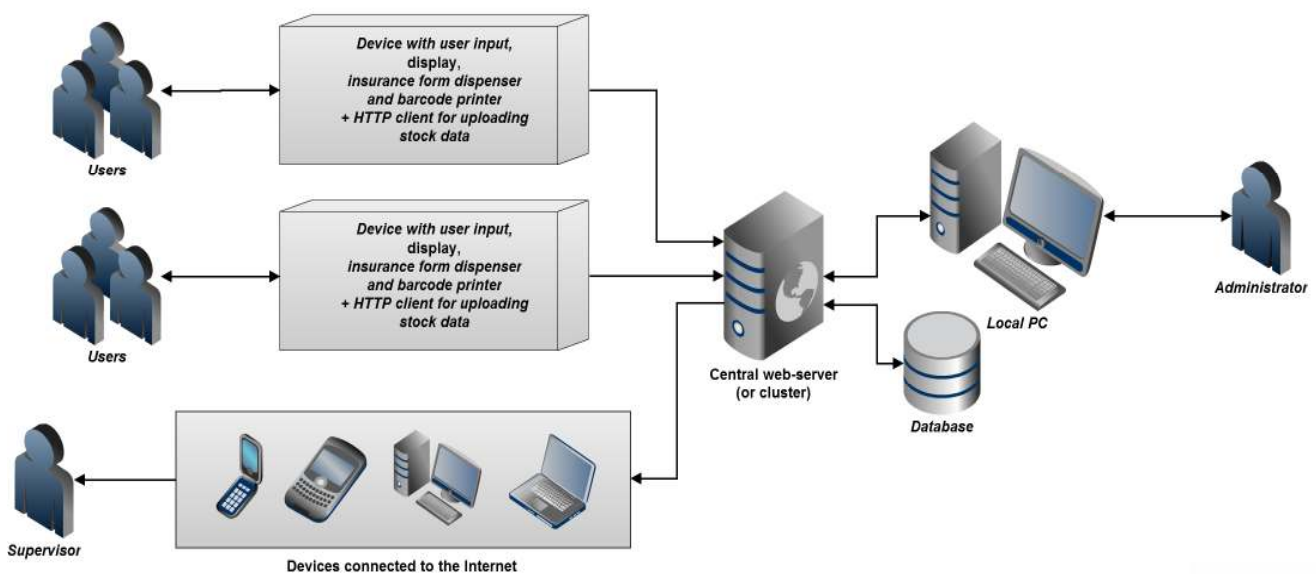


Figure 5. The remote monitoring system [1]

## 5. Conclusion

Following research and case study performed can be highlighted the following conclusions:

- use a cost-based model allows the possibility of evaluating reports quality / price and of their difference resulting risk assumed;
- thermal energy production efficiency, resulting in lower cost and reduce environmental pollution by reducing fuel consumption;
- a special priority control feature allows urgent commands to obtain immediate response.

The forces that drive RL-Reverse Logistics were categorized under headings: economics, legislation and corporate citizenship [3].

Strategic philosophies or practices such as Kaizen, Lean Manufacturing, Six Sigma, Total Quality Management and Continuous Improvement are used by many organizations to help improve processes, drive productivity and maintain a competitive edge in today's ever-increasing global economy. Despite varying concepts, each practice uses Key Performance Indicators (KPIs) to assess, analyze and track business manufacturing processes. Even if an organization does not employ formal continuous improvement initiatives, efficiency gains can still be realized by borrowing lessons learned through the visual management techniques of those processes. This white paper discusses three common visual management solutions for displaying KPIs and andon messages in order to drive productivity and improve profitability [4].

Research and specialized studies have been done, which revealed that the link between performance and economic efficiency is dependent on: the objectives of executive management time imposed analyzed and the impact of human resources.

In the last twenty years, the managers of Romanian industry were confronted with multiple problems caused by difficult economic instability, inflation, shortening product life cycles, environment, market conditions, and diversification of demand. All this makes it difficult to find the most efficient way of organizing the logistics companies in general and in particular. Currently, there are industrial companies, private equity, which have a operative and efficient logistics organization, however there can be an effective organizational structure of logistics in enterprises.

Survival and growth of the company depends on management based exclusively on logistical economic instruments by management decisions that lead to resource efficiency and maximize profits.

Systemic approach and use all the knowledge in logistics, offering managers the opportunity to meet targets, allowing them to react quickly and make informed choices. Thus, there is a continuous adaptation to the structure and activity to external environmental conditions, with processes that ensure internal stability of the organization.

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