

# LOGISTIC MANAGEMENT IN THE ROMANIAN ENVIRONMENT AFFECTED BY THE GLOBAL CRISIS

PhD Student **Daniel JIROVEANU**

PhD Student **Sorin DRAJNEANU**

The Bucharest Academy of Economic Studies

## ABSTRACT

*This article offers a general view over the logistic field, under the harsh impact of the global crisis which affected the entire world. Affected areas are closely analysed and some solutions for a less implication of the logistic activity in the commercial act are offered.*

**KEYWORDS:** *Logistics, logistic management, supply chain, logistic environment, logistic crisis*

Commercial activities have increased as a result of Romania's admittance into the European Union as well as the exchange of merchandise between Romania and the EU member states between 2007 – 2008. Thus, Romania has witnessed a significant economic increase during this time, including logistics.

In order to decrease the costs and the delivery time, it was mandatory to create a supply-sale chain at the organization level. Towards the end of 2008, once the financial crisis hit Romania, the logistic field, just as the entire economy, has suffered a great deal. All of the sudden, the supply chains were over dimensioned and the costs were too great. This has determined for current supply chains to be rearranged according to the current economic status.

The quantity of products to be traded locally and internationally has decreased, which is currently reducing the number of activities and organizations in the field. There is a great need for a broad vision towards logistics which should include the suppliers and the buyers, as well as the intermediaries. This chain must be carefully analyzed from different points of views.

Logistics must be seen as a 'necessary evil' which adds value, cost and time to products. The management of logistics, currently, deals with reducing as much as possible the implication of logistics in the commercial activity.

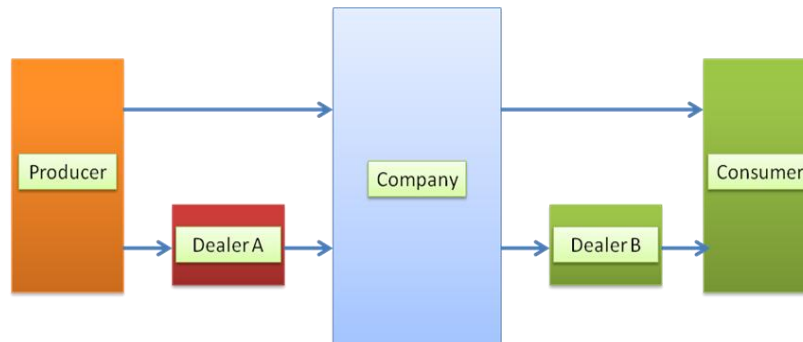
In graph 1, you will see a general scheme of logistics management.

As you can see from the graph, the logistic chain can differ in size and duration depending on the opportunities and/or threats of the market at the time.

Based on the graph, one can outline managerial approach of logistic which should consider the following:

- The number of participants (producers, intermediaries and beneficiaries). This factor influences the logistic activity in the sense that a large number of partners can slow down the activity. However, excluding the intermediaries is not always a good thing because their experience can bring positive aspects to the logistics chain.
- The nature of the merchandise being dealt.
- The quantity of products

- Documentation (Products that are being delivered – especially on an international level are accompanied by a set of documents which must be issued on time, correctly.
- Corresponding time of the logistic activity. Time factor is one of the most important factors in the logistics activity. Deadlines stipulated in most commercial contracts underline this aspect. Not respecting these deadlines brings about sanctions which increase the cost of the entire process.
- Costs of the logistic activity: Just like in any economic activity, costs play a center role in logistics, mainly because they ensure the economic influence of the activity.



These aspects demand a systematic approach of the logistic activity. A systematic approach requires a careful analysis of:

- a detailed study of the surrounding economic environment in order to determine the opportunities and threats caused by other economic agents.
- Study of the internal system in order to determine the strengths and weaknesses.

Currently, a closer look to the factors which impact the activity of organization is needed. The economic crisis which started in the USA is getting harsher as time passes. Eastern European countries (including Romania) are being affected very strongly by it. One of the main effects of the financial crisis is the decrease of product demand which immediately decreases logistic activity. The logistic field is automatically connected to transportation activities, which are being diminished by the economic crisis.

In Romania, where logistic activity is interconnected to transportation companies (mostly private), the effect of the crisis is amplified and the cost is determined by the mean of transportation. The effect of the crisis is also increased by the fact that these transportation companies are dependent on small and medium clients, which are also suffering from an economic point of view. Companies which are in difficulty will look for cheap solutions, which might be provided by railway transportation. Although it is much cheaper, railway transportation can not fully substitute trucking. This would imply that every client needs to have access (in the vicinity of its activity) to a train station. Under these conditions, there is a need for diversifying and cost reducing solutions in the logistic activity. Unfortunately, diversifying means new investments.

While the crisis affects all fields, it influences them in an unequal way. Even within the same field, different companies have different exposure to risk depending on the external environment of the field. In logistics, the near future will require a concentration of management towards the establishment of partnerships and agreements between that have a rather large number of partners, which will eventually allow for the decrease of risk

## References

1. P. Baily, D. Farmer - *Purchasing principles and techniques*, Pitman, London, 1977
2. R. Ballou - *Business logistics management*, Prentice-Hall, Inc. Englewood Cliffs, New Jersey, 1973
3. Gh. Basanu, M Pricop – *Managementul Aprovizionarii si Desfacerii* – editia a treia, Editura Economica, Bucuresti, 2004
4. Olivier Bruel - *Politique d'achat et gestion des approvisionnements*, Bordas, Paris, 1991
5. M. Conetoux - *Les problèmes de l'approvisionnement*, Ed. Dunod, Paris, 1982
6. W. England, M. Leenders - *Purchasing and materials management*, Richard D. Irwin, Homewood, Illinois, 1975
7. S. Heinritz - *L'approvisionnement dans l'entreprise*, L'entreprise Moderne, Paris, 1981