

Strategic Supply Management in the Logistics Systems of Industrial Enterprises

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Abstract— The strategic capacity of the subsystem of supply in the industrial environment is underused. Conscious of the need to supply with taking into account the long-term development trends of the company, macroeconomic factors, and integrative unity with the sources of material resources industrial enterprises begin to consider the state and direction of the procurement system with due regard to the strategic imperatives and priorities of the corporate activity. As a result, it becomes necessary to consider the main strategic components in the supply system of industrial enterprises with material resources. The aim of this paper is to determine the substantive aspects of strategic supply management in the logistics system of the industrial enterprise and to build the algorithm for developing the logistics supply strategy. The methodological framework of the study includes the dialectics and the systematic approach to the changes in the priority of the supply function by analyzing the factors that build the strategic supply-chain management in the industrial environment and funding the interrelated stages in the development of the supply strategy. The main results of the paper are the author's interpretation of the concept of the "strategic supply management", the definition of the list of management tasks arising in the working process with the material resources of the industrial enterprise, the development of methodological approaches of the logistics supply strategy. The results can be used for research in the field of supply logistics management for industrial enterprises.

Keywords— *logistics, supply logistics, strategic supply side, strategic supply management, supply strategies*

1. INTRODUCTION

To achieve sustainable development, industrial enterprises have to be oriented on their future development benchmarks. The process decomposition of the industrial enterprise allows us to consider it as an ordered collection of interconnected business processes aimed at obtaining operational, tactical and strategic results of its activities in all functional areas, including supply. In this regard, it becomes relevant to consider the problem of strategic management in the logistics systems of industrial enterprises.

The main objectives of the study are to determine the list of management tasks arising in the working process with the material resources of the industrial enterprise and the building of methodological approaches of the logistics supply strategy that allow us to identify horizons for the strategic planning in the field of providing the enterprise with material resources.

Researchers in the field of logistics note that a competent approach to the procurement organization at the enterprise by

taking into account strategic imperatives and priorities of the corporate activity, allows to reduce procurement costs by up to 30% [11]. According to the American specialists, every percent of the reduction in procurement costs has 12% of growth in profits, which is the best result in comparison with the optimization measures implemented in other functional areas of logistics [13]. Industrial enterprises that are now in the intensive adaptation phase to new macroeconomic conditions and that have a strategic focus on optimizing the cost parameters of activities and determine the future development imperatives, have to apply for the strategic doctrines of supply logistics as a tool for providing these benchmarks.

Being a permanent long-term basis in achieving corporate goals, strategic procurement management have an impact on the effectiveness and the efficiency of the industrial enterprise, its level of competitiveness, the speed of reaction to market demands, and reputational assets [15]. Large industrial enterprises that have succeeded not only in national but also in international markets, believe that profits as a result of the company's activities, are made in the implementation of the activities to supply the enterprise with material resources. The changes in the priority of the implementation of the procurement function can be explained by the following reasons: increasing proportion of the material component in the total costs of the enterprise; increasing competition in the market resulting in the production of high-quality products and innovative materials; increasing cooperative supplies of industrial and technical products; the advent and development of logistics technologies that require closer cooperation between suppliers and consumers; expansion of supply chains; increasing role of competitive procurement in the procurement activities of business and consumer [14]. This research shows that one of the main factors of the viability of a modern industrial enterprise is a well-designed procurement strategy in line with the company's overall development strategy [2]. Having generalized the experience of national and international researchers in strategic supply logistics, it should be noted that there is no unified approach to understanding the category of "strategic supply management" [4,8,17,18,19]. In this regard, the importance of the paper is to develop the theory of strategic supply in the logistics systems of industrial enterprises and to identify scientific and methodological approaches to the development of logistics supply strategies in the sphere of production.

2. RESULTS

The strategic side of procurement covers the process of purchasing management, communication and interaction with other departments of the enterprise, suppliers, needs and requests of the end user, planning and development of new procurement schemes and methods, etc. Having a strategic function, purchases form the limits of the corporate strategy and determine the plan of the Procurement Service designed to achieve the goals and to complete the tasks. If properly designed, the strategy links the company with its environment using the long-term planning process for this. In this connection, procurement activities should include the management of inward flows and support the processes of internal transformation in accordance with corporate values. Being a key element in the process of managing the logistics system of the industrial enterprise and linking the internal product transfer within the enterprise with external supply chains, the procurement process should be based on strategic postulates of management [6].

Strategic procurement management is the evidence-based performance of logistics functions in the process of providing the enterprise with material resources in the long term and management decisions based on the company's development target and macro-environment factors, that ensure the optimal costs level for purchasing activities in a specific production context. Strategic procurement management should be aimed at providing competitive advantages to the industrial enterprise by providing the production with the required material resources, using of new procurement forms and methods, constructing of complementary relations with procurement sources, transport companies, and intermediary institutions. As already mentioned, procurement management at the strategic level should be linked with the corporate development strategy and determine the ethical aspects of supply within the overall ethics policy of the company [5,9]. Strategic procurement management should integrate the following parameters into a consistent whole: supply guarantees, quality of supply, costs, risks, relationships with the environment, relationships with supply chain participants, strengths of procurement that build the company's competitive advantages. These characteristics allow us to determine challenges facing the strategic procurement management:

- 1) planning the logistics flow of material resources in the "supply-production" functional cycle for a long-term perspective;
- 2) minimizing investments in purchases and losses and the administrative costs for performing procurement operations;
- 3) building relationships with suppliers based on mutual understanding and mutual development of relations;
- 4) ranking of the purchased resources taking into account external and internal conditions of the enterprise;
- 5) maintaining the competitive position of the industrial enterprise;
- 6) making managerial decisions that rely on innovative methods and analytical tools for logistics procurement.

Strategic procurement management should be considered at two hierarchical levels:

- level of the logistics system of the industrial enterprise. The management should be aimed at determining the place of the supply department in the structure of general corporate management, establishing links with the corporate development strategy, ethical aspects of supply within the general policy of the company's ethics;

- level of the subsystem of purchases. The management should be aimed at making optimization decisions in alternative procurement areas.

To achieve the best results in the strategic planning, various aspects of the supply activity of the industrial enterprise should be taken into account. In this regard, we believe that the strategic management of supply in the logistics systems of industrial enterprises should determine human resource policies in the procurement department, price policy, supplier relations policy, credit policy, resource policy, supply policy, stockpile management policy.

It is necessary to build a strategy for each of these types of policies, that will be an instrument for justifying, developing and implementing long-term goals and tasks for the supply of the industrial enterprise. In this paper the supply strategy is defined "as a set of goals, objectives and (or) measures to manage the quantitative and qualitative parameters of the material flow in the process of its movement from suppliers to consumer warehouses" [12]. The question of procurement strategies clustering is under consideration in the researches and their analysis allows us to combine all applied strategies of supply in 6 groups: general procurement management strategies (guide the supply development directions with the development strategy of the organization), price strategies, strategy of relationships with suppliers, strategies governing the procurement volume, strategies based on the positioning of purchased resources, and strategies for supply quality [1, 3,7,8,10,20, 21].

There is no one-size-fits-all approach to managing methodological aspects of building strategies [16]. In our opinion, the building and selection of the most appropriate strategy to the conditions of functioning of the industrial enterprise, the capabilities, and the chosen direction should be undertaken in a specific sequence including interrelated stages: 1) study of the external and internal supply environment, 2) specification of the goals and tasks of supply, 3) identification of alternative strategies, 4) evaluation of resource opportunities for the implementation of strategies, 5) choice of adequate strategy in the existing conditions, 6) analysis of the compatibility of the chosen strategy with the goal orientation, 7) elaboration of the implementation plan for the strategy, 8) strategic control, 9) evaluation of the effectiveness of the supply strategy. The proposed algorithm allows to choose the most effective supply strategy from the set of alternative ones which correlates with the corporate strategy, is provided with all kinds of resources, and allows to take into account the optimal proportion "cost-effectiveness".

CONCLUSION

Strategic supply management taking into account the current realities of the economic development of industrial

enterprises, should be based on a joint problem-solving of all external entities and internal organizational units involved in the process of providing the production with material resources. Strategic supply management in the logistics systems of industrial enterprises should proceed from the principles of system and comprehensiveness, which allow to build a specific strategy taking into account the state of the internal and external environment. The success rate of strategic thinking in the procurement is the avoidance of constraints in the supply system of the enterprise, preventing a negative impact on the production process or market position of the enterprise, and the potential contribution and effectiveness to the achievement of the purpose of the industrial enterprise. The formulated stages of the supply strategies building allow us to take all the necessary steps in a logical order to determine the most appropriate procurement market strategy to the opportunities and constraints.

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