

**ASPECTS OF THE DEVELOPMENT OF PROCUREMENT AND
PROCESSING ACTIVITY IN CONSUMER COOPERATION OF THE
REPUBLIC OF MOLDOVA**

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Abstract

In the modern economic system the economic process with systemic features, known as the Supply Chain Management (SCM), has acquired an increasing implementation. The Supply Chain Management involves an outstanding connection into the business relationships between producers, intermediaries (stocks, stores), logistic systems, distributors and customers, consumers. The added value of this concept is driven by the synergy of all components included in the management of the supply chain, which, we believe, should become a mandatory part of the development strategy of the national cooperative system. This paper develops some aspects of the procurement process in a theoretical and applicative approach with the emphasis on the issue of evolution of acquisition activity in the frame of cooperation system in the Republic of Moldova. The results presented in this article are the outcome of research and education mix, they are founded on the combination of theoretical studies with practical applications in all of three cycles of higher education.

Keywords: *management of the supply chain, procurement management, consumer cooperatives, cooperative system.*

1. Introduction

The acquisition activity is a priority and a key element of economic actions, effort which begins any activity that aims to produce or provide commercial services, so, in this context, it is important to develop strategies to enhance and optimize the logistics of entity, develop activities based on sustainability management and innovation. The promotion of innovation strategies need and must be based on knowledge and creativity, sense of responsibility and initiative, entrepreneurial capacity, the power of resource ownership for the development of the organization.

In the modern management it becomes more and more attractive the processing of economic efficiency and management through an approach and in a shared context known as Supply Chain Management (SCM) - a concept of the supply chain that includes an organizational strategy which encompasses the application of acquisition activity, which involves the merging into a single system of acquisition and insurance cycles of raw materials for production processes, but also the launch on the markets of goods and services. Supply Chain Management (SCM) can be approached by the formation of a connection between: production, raw material suppliers, emplacement of resources, distribution and informational systems, and finally including the quality management of provided products and services.

Supply Chain Management (SCM) should be a mandatory element, pillar of the strategy of development of the national cooperative system and an integral part of business relationships between producers, intermediaries (stocks, warehouses), logistics systems, distributors and customers, the final consumers. The approach of this concept is generated by the synergy of all components included in the management of the supply chain, which in our opinion is a mandatory part of the national cooperative development strategy.

2. The degree of investigation of optimizing procurement activity issues

One of the most promising research directions in the field of optimization of procurement activity is SMC. The essence of managing the supply chain is the search and evaluation of all logistics procedures throughout the life cycle of the product / service, or in other words, the process of development, production and marketing of products / services and their after sales maintenance. In this context, it is timely to develop logistics and marketing management in purchasing cooperatives sector in Moldova.

The researches in the context of the management of the supply chain have an advanced international spread, but in Moldova this research area is barely at the beginnings.

The quintessence of Supply Chain Management approach summarizes the obvious things, but certainly not trivial:

- the cost of product is formed throughout the whole supply chain, but is critically and distinctively reflected only at the last stage - at the distribution to the final consumer;
- the real cost reflects "the overall effectiveness of operations", including transportation and marketing, which are found throughout the whole chain, and not just in the process of a concrete marketing act;
- most easily influenced, in terms of cost, are the initial stages – the good production stage and the most sensitive - are those final – the goods commercialisation.

In connection with this process of elaboration and development of Supply Chain Management necessarily shall be find the innovative management of the procurement system of consumer cooperatives through which is appropriate the innovation of ways and techniques of administration of the logistics of the chain acquisition-production-distribution, causing:

- appropriate structure of deposits of raw materials and those provided for goods production, which would lead to optimization of operational expenditure;
- methods for optimization of patterns of transportation and distribution operations;

- convenient location for production of goods to make feasible their delivery on a single and concrete market for sales.

The attributes of acquisition activity are concepts such as purchase, insurance, distribution, procurement, acquisition, etc., that interpretation would mean:

acquisition - it is an action related to the commercial activity of the company, which corresponds to a financial commitment for purchasing material resources or products, itself representing an effective monetary transaction;

supply is itself a moment of the complex process of insurance with required materials and technical equipment, preceded by the establishment of the necessary size and timing of the purchase by the intervention of the request or on order, antedated by the negotiation of delivery conditions, finalized by the effective distribution of material resources.

Supply is the activity that ensures the material and technical elements necessary for economic activity, with their level and composition aimed at achieving the general objectives of the company, under minimal costs and a higher profit.

The acquisitions of agricultural products and raw materials in the consumption cooperation system of the Republic of Moldova have a deliberative position, as they provide the raw materials needed for the System business, the development of necessary assortment of goods in the distribution cooperative network, in production companies and those of the restoration. By their supply system consumer cooperatives create opportunities to accumulate resources for the realization of exports of goods and for accumulation of financial resources for the development of the system.

The supply management is a complex concept with a polyvalent structure of activities that include, as elements of the system, aspects of management, analysis and evaluation. The special features of supply management is to ensure the balance between the need and availability of necessary resources to be provided in an economic unit.

The researches allow us to sustain that a way for ensuring the objectives of procurement activity can be achieved by focussing on getting a complete and complex business insurance with adequate resources, qualitatively and quantitatively, in time and space with minimal costs, applying the Supply Chain Management. Thereby the national cooperative system would favour obtaining the integration in a chain of procurement activities, processing activities, restauration, distribution, with a high cumulative effect. We consider it is appropriate to create a joint management unit to coordinate the flow of resources between components of the system - co-operative enterprises and organizations in the concerned areas.

The absorption capacity of the volumes purchased by the cooperative network of outlets can be perceived by the actual volume of retail sales - so in recent years through the cooperation sales network it was demonstrated an ability to reach an annual turnover of approximately 700-800 million lei.

In this article we aim to analyze the fundamental characteristics of supply chain management and the prospects for the implementation of this system to optimize the functioning of cooperative business networks in the Republic of Moldova in the acquisitions sector. We support the opinion that the synergistic effect can be amplified when the chain of cooperative stores will be involved in an integrated system: acquisition – processing – distribution.

3. Applied research methodology

The goals of our research have determined the use of various traditional research methods, such as economic analysis and synthesis, logic and comparative analysis, normative and statistical methods and other scientific knowledge tools for economic processes investigations. Throughout the elaboration of this study we used the results of our previous investigations, based on empirical data of cooperative enterprises, on interviews with specialists, practitioners in the field, on their expert opinions.

4. Theoretical and applied aspects of the development of procurement and processing activity in consumer cooperation of the Republic of Moldova

Supply chain management represents in itself one of the most effective ways of achieving the competitiveness of the company on the basis of minimum cost and advanced level of customer service.

Researchers see in the concept of a supply chain the optimization of business process components, which include the logistical functions of the company in their integrity, prolong and enrich them.

Supply chain management can be interpreted as systemic considerations used for the integration into an effective system suppliers, manufacturers, distributors and retail outlets in a way that the goods are produced and distributed in sufficient quantity, in the appropriate places and at the right time, with the objective of minimizing the overall system cost and guarantee the requirements of the level of provided services.

In our opinion, experts, especially practitioners, often have a wrong vision of the concept, by reducing the supply chain, to their logistics component only.

The evolution of economic systems, the impact of conjuncture, have changed the design and supply chain management objectives by the sophistication of customer service, high lapse of time, an advanced demand for high quality products and services, low cost, integration of information technology and flexibility in adapting products to customer needs.

Supply Chain Management System is focused directly on customer demand, rather on the imperatives of achieving quick sales and, as a result, we get a system that quickly responds to customer demand by minimizing the flow of materials and finished products in each ring of the chain. Thus through the successful implementation of supply chain management system the cooperative system will be able to fulfil the role of facilitator and natural integrator of divergent demands of sales and production, of quality and price, service costs and financial and qualitative measurements. Logistics professionals need to increase understanding about other business functions that are found within their society.

The investigation performed represents a first step in consolidating the milestones for achievement of performing supply chain management in acquisition enterprises through all cooperative sectors of the Republic of Moldova.

Research on the evolution of acquisitions in consumer cooperatives system, performed at different levels of analysis, beginning with master's theses, followed by studies within the frames of institutional research projects, demonstrates a close correlation between procurement activities and

the production sector in cooperative system of the Republic of Moldova. This connection is observed particularly in the demonstration below.

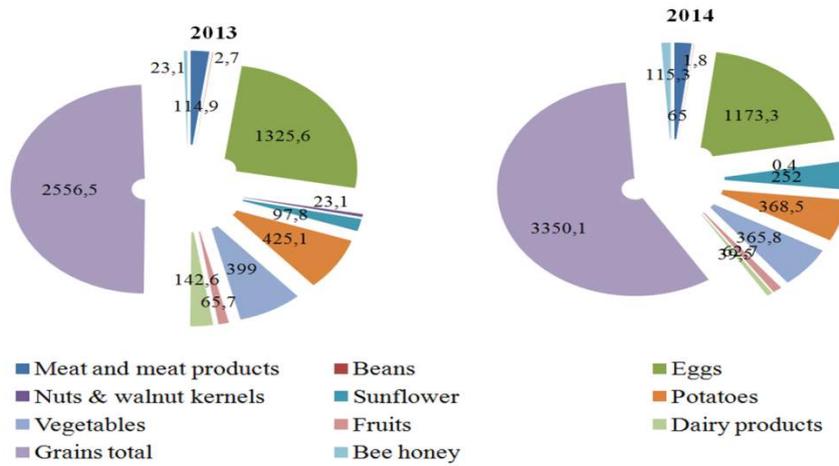


Figure 1: The evolution of acquisition activity structure in consumer cooperatives of the Republic of Moldova in 2013 & 2014 (January - June)

Source: elaborated by the authors based on the MOLDCOOP reports [11].

Thus, for example a large part of the acquisitions structure in recent years is represented by the grain acquisitions (Figure 1). According to the last two years they amounted about 49.4 – 57,8% of all acquisitions throughout the cooperative system. At the same time, the production in the cooperative sector, as an overwhelming part of the volumes produced is composed by the bread and bakery products, confectionery products – about 97,6 - 98,6% (Figure 2). The data demonstrate that, at least for these products, is required a flows coordination between different activities: acquisitions - production – distribution for the optimization of efforts and maximization of results obtained in the whole cooperative sector.

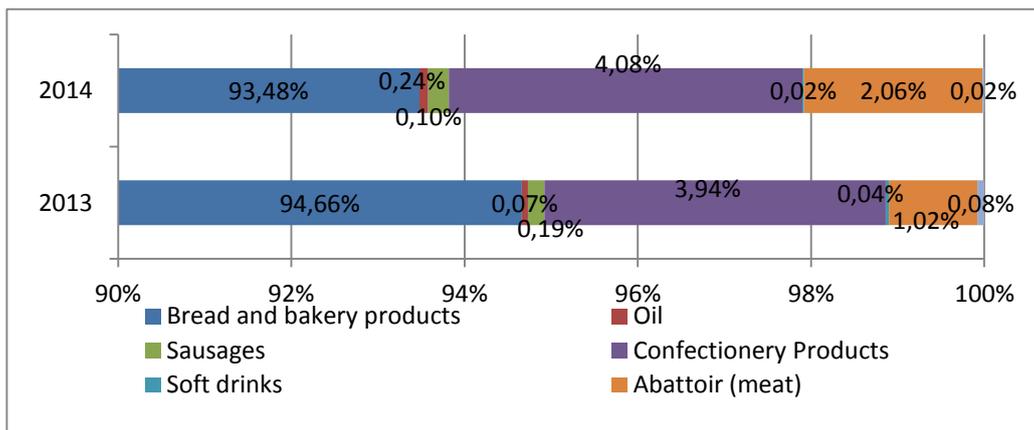


Figure 2: The evolution of industrial production structure in consumer cooperatives of the Republic of Moldova in 2013 & 2014 (January - June)

Source: elaborated by the authors based on the MOLDCOOP reports [11].

The evolution of the acquisitions over the last decades in consumer cooperatives system carry an uneven and unstable nature, both in the mid of the 90es of the last century, when acquisitions were

practically at the verge of extinction in the economic activities of cooperatives in the Republic of Moldova, and in posterior periods - 2002 and 2009, when acquisitions have decreased significantly in the volumes processed. Analysis of recent data from 2013, 2014 confirms these trends.

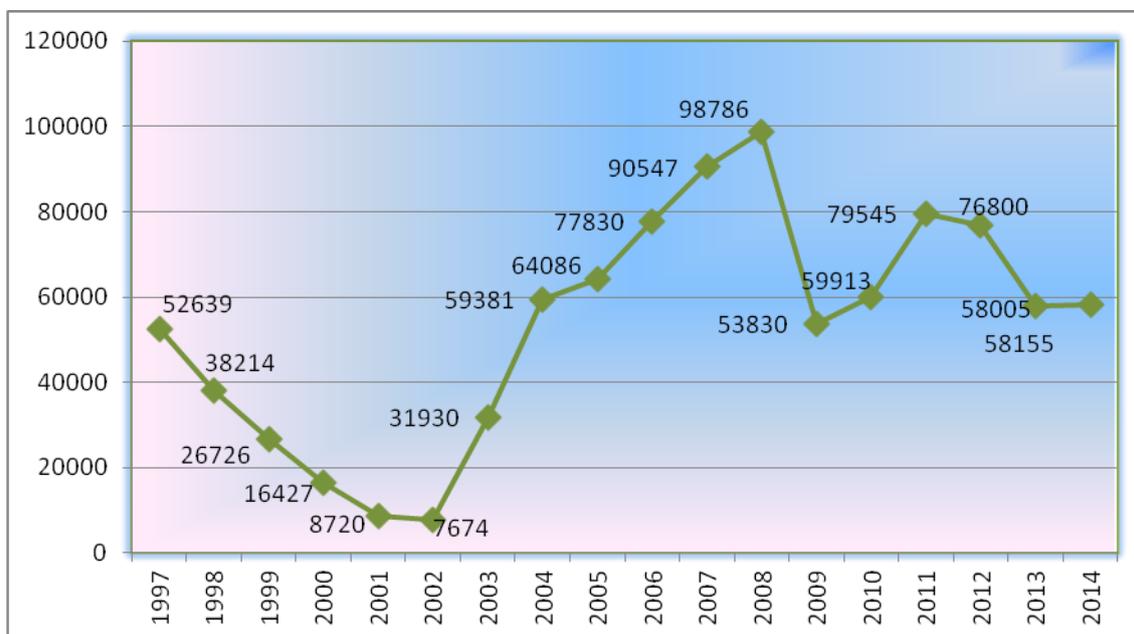


Figure 3: The evolution of acquisitions activity within the MOLDCOOP system in 1997-2014
Source: developed by the authors based on the MOLDCOOP reports [9, 10, 11].

This instability of the results imposes the necessity of approach of acquisitions in a single network with processing and marketing activities, creating a system “acquisitions - processing - distribution”, which would give them a more stable development because acquisition activities will become an integrated part of common and unique logistical system that would ensure the stability of their development.

We agree with the opinion expressed by A. J. Gasser [3, p. 48], stating that the main points of the potential success in acquisitions come from actions in the value added area. Costs may effectively decrease through standardization, reengineering, simplification, new processes, concentration of functions and much more.

The essence of the concept of supply chain management requires organization-wide management of physical flow of materials, finished products and raw materials, in parallel with informational and financial flows. We support the idea expressed by P. Baily and co-authors [1, p. 395], stating that the emergence of informational technologies (IT) systems and development of more integrated software applications has radically changed the acquisitions conjuncture. This idea determines the necessity of integration in system mentioned above of informational component, in other words an adjustment of IT and Information System connected to acquisition - processing - distribution activities within the national cooperative system.

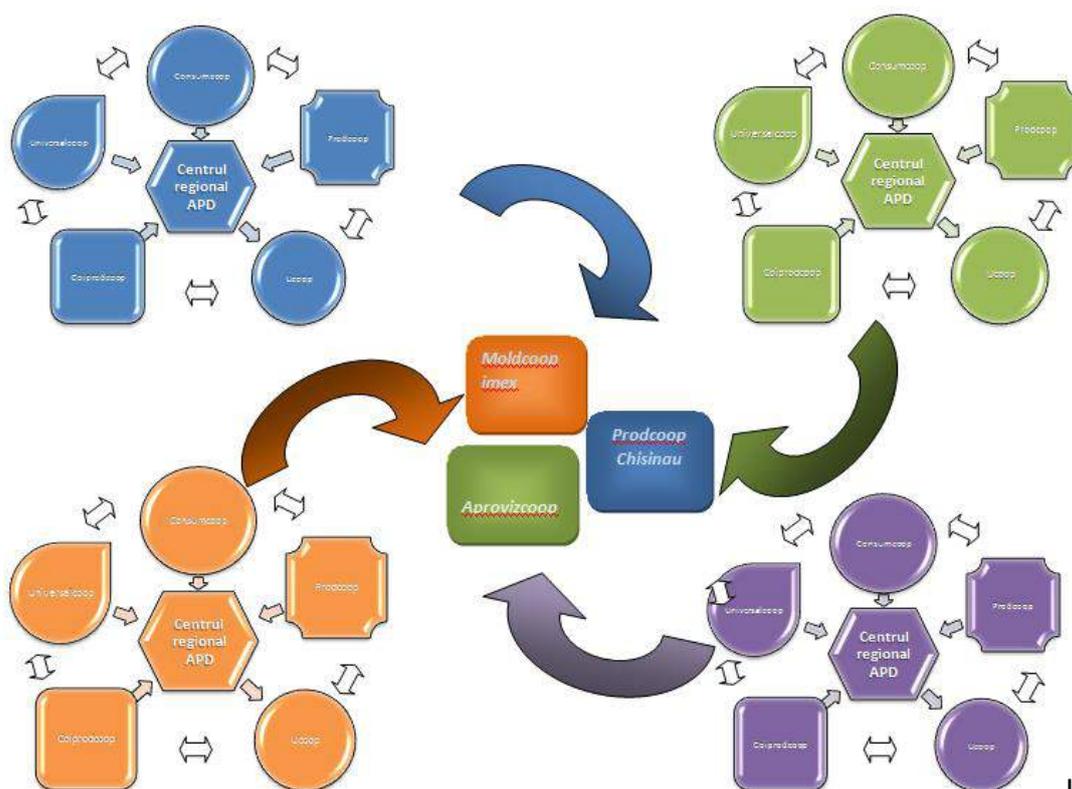


Figure 4: The scheme of acquisitions - processing - distribution flows interactions within the MOLDCOOP system

Source: developed by the authors based on expert evaluations and reports of MOLDCOOP for 2013 and 2014 [11].

We consider that through the scheme of acquisition - processing - distribution flows interactions within the MOLDCOOP system we propose a model, whereby both cooperative system practitioners and researchers in the field, can implement to identify factors that influence the supply chain management performance in cooperative enterprises by regions taken apart and we offer the solution that, once being implemented, can serve as experiment for a case study in view of possible improvement in the future.

Implementation and development of supply chain management in the cooperative system of the Republic of Moldova will have the effect of deeper processing of information in the cooperative acquisitions and as a result - reduce the Bullwhip effect [4], optimize stocks size, but also reducing logistics costs and improving the payments system. These performances will generate benefits to the whole cooperative system, steady economic results and increased productivity.

We agree with the opinion of authors which identifies three dimensions of supply chain management. These are:

- Intra functional coordination: refers to the administration of activities and processes within the logistics service of a company;
- Cross functional coordination: refers to the coordination of activities (belonging to certain functions) between functional areas of the company;
- Inter organizational coordination: refers to the coordination of the chain of activities according to product flow, which take place between legally separated companies.

In our paper we have developed only the last component, the first two being the subject of research and experimental application during or after the implementation in practice.

5. Conclusions

In conclusion we propose the following actions concerning the development of the acquisition - processing activity in consumer cooperation of the Republic of Moldova:

1. The creation of the integrated cooperative system: acquisition - processing - retail outlet (distribution), based on design and development of concrete strategies aimed to strengthening positions on the domestic and foreign markets.
2. APD Regional Centre will aim business development based on effective communication with production and distribution companies, by coordinating quantities and quality of purchased assortment, which finally would give a more stable growth character to the evolution of cooperative acquisition sector.
3. The adjustment of IT and Information System connected to acquisition - processing - selling activities within the national cooperative system, and forming a connection with other companies of the same branch at country level and in the European Union area.
4. Application of the results of this study in the educational process as case studies in various specialized disciplines will allow to ensure a higher performance through research-based education.

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Rezumat

În sistemul economic modern o implementare tot mai răspândită au dobândit procesele economice, cu caracteristici sistematice, într-un context comun denumit Supply Chain Management (SCM). Acesta implică o conexiune deosebită în relațiile de afaceri dintre producători, intermediari (stocuri, magazine), sisteme logistice, distribuitori și clienți, consumatori. Valoarea adăugată a acestui concept este determinată de sinergia tuturor componentelor incluse în managementul lanțului de aprovizionare, care credem noi, ar trebui să devină o parte obligatorie a strategiei de dezvoltare a sistemului național de cooperare. Această lucrare dezvoltă unele aspecte ale procesului de achiziții într-o abordare teoretică și aplicativă, cu accent pe problematica evoluției activității de achiziție în cadrul sistemului de cooperare în Republica Moldova. Rezultatele prezentate în acest articol sunt produs al mixului dintre cercetare și educație, care se bazează pe o combinație a studiilor teoretice cu aplicații practice în toate cele trei cicluri ale învățământului superior.

Cuvinte-cheie: managementul lanțului de aprovizionare, managementul achizițiilor, cooperativele de consum, sistemul cooperatist.

Аннотация

В современной экономической системе все большее распространение приобрели экономические процессы с системными функциями, получившие известность в общем контексте под названием supply chain management (SCM). Этот феномен представлен особенным соединением экономических отношений между производителями, посредниками (складские услуги, магазины), логистическими системами, дистрибьютерами и клиентами, потребителями. Добавленная стоимость этого концепта достигается синергией всех компонентов, включенных в управление цепочкой поставок, которая по нашему мнению, должна стать обязательной частью стратегии развития национальной кооперативной системы. Данная статья раскрывает некоторые аспекты процесса заготовок, в теоретическом, так и в прикладном подходе, с акцентом на проблематику эволюции, развития заготовительной деятельности в рамках системы потребительской кооперации Республики Молдова. Результаты, представленные в данной статье, являются итогом исследований и получены путем сочетания образования и исследовательской деятельности, основаны на сочетании теоретических изысканий и практического применения на протяжении всех трех циклов высшего образования.

Ключевые слова: управление цепочками поставок, управление заготовками, потребительский кооператив, кооперативная система.

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