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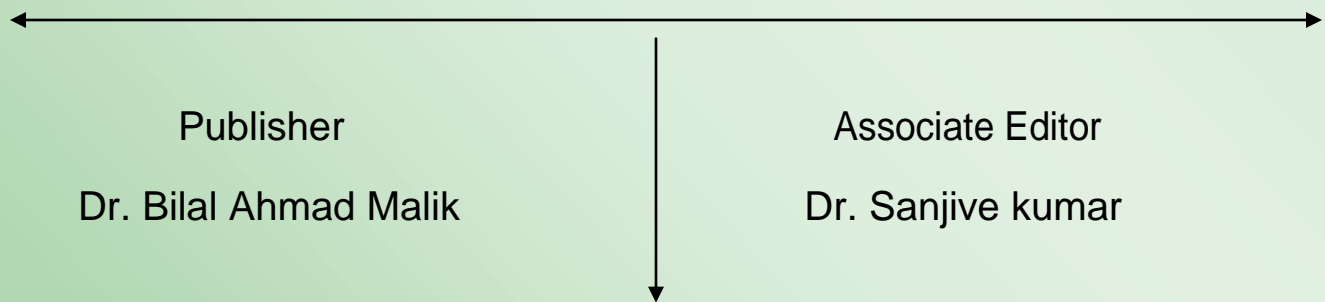
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ROLE OF MATERIAL MANAGEMENT IN PRODUCTION SYSTEM WITH INTERFACE TO OTHER ORGANIZATION

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INTRODUCTION

All the organizations, whether manufacturing, trading or even non-profit are involved in procurement, storage and stock replacement of different types of materials. At different types of time many of the items bought, stored and stocked either for immediate or future use. The function of buying or stocking is a result of decision-making process which may be simple or complex, intuitive or analytical, hasty or deliberate. In the manufacturing organization material management is relatively more important as well as complex. The cost material in different industries ranges from 60% to 90% of the product cost. On an average about one-third of the total assets of a company represents the investment in inventories, due to these reasons material management assumed a greater importance's since the inception of manufacturing activities.

Material management is the term to describe the grouping of management functions related to the complete cycle of material flow, from the purchase and internal control of production materials to the planning and control of work-in progress, to the warehousing, shipping and distribution of the finished product. It differs from the materials control in that the latter term, traditionally is limited to the inter control of production material. Thus material management is concerned with those management functions circumscribed in the complete cycle of materials flow like purchasing, production and inventory control, material handling, packaging, traffic and distribution. All these related functions are grouped together and are put under the direct control of a line manager. All these sections of the materials management strive to attend the fundamental objectives of materials management. It should also be noted that inventory control is an integral part of material management and it is confined to the internal control of the production materials.

PRODUCTION ORGANIZATION

In a small organization, production, servicing and control are handling by a single person. The larger the organization grows, the complex the organization structure becomes and functions are handled by different specialists. A typical factory may have the following organization structure as shown in fig. 1 below:

ORGANIZATION STRUCTURE OF A FACTORY

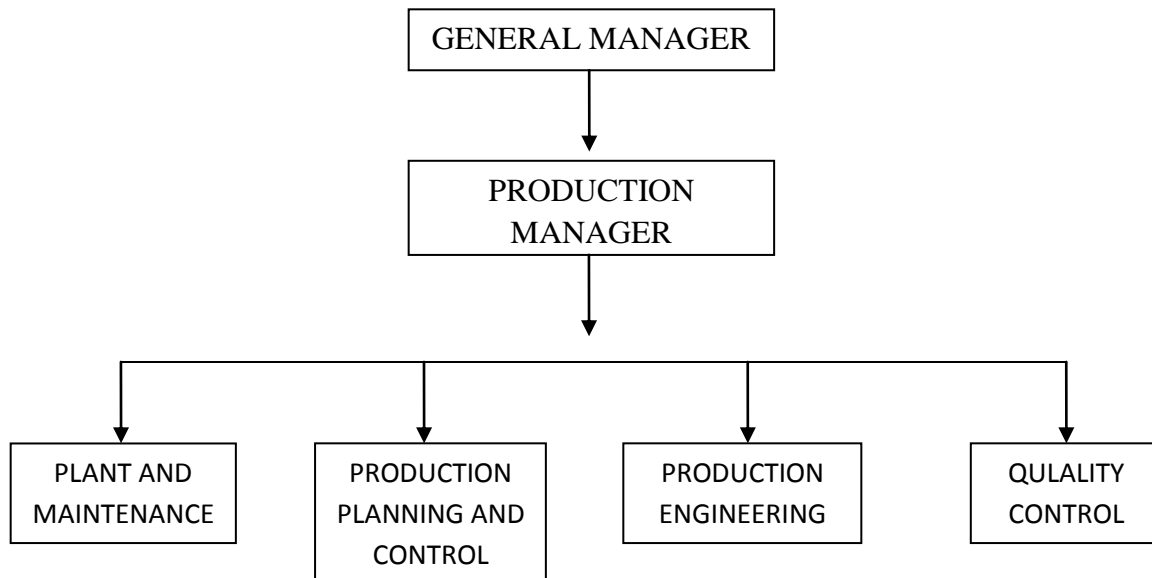


FIGURE 1

Services are provided by the human relation department and the maintenance department. Finance and account department provide the control ingredient. Control is also exercised department like production control.

INTERFACE WITH OTHER ORGANIZATIONS

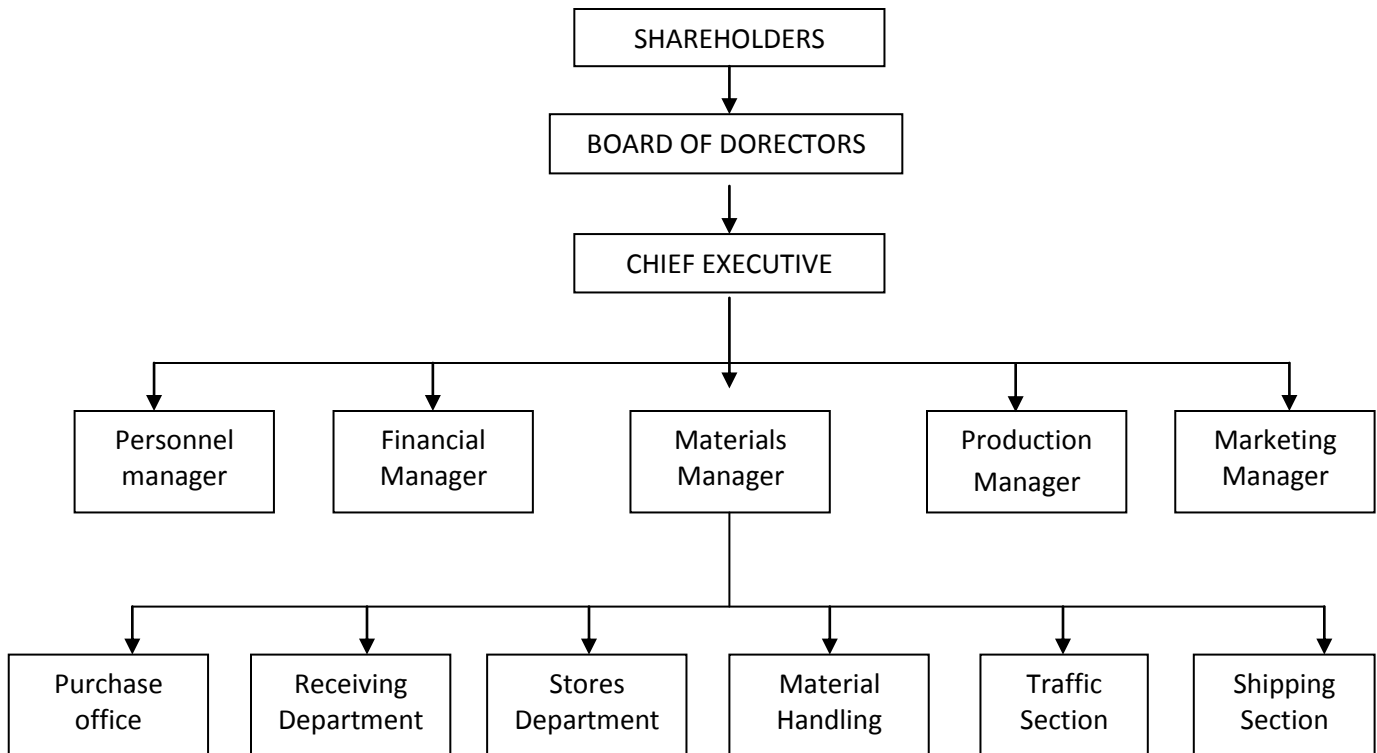
Production interface with other organizations, Sales department provides the present demand position and the future sales forecast to form the basis of production planning. Design gives an idea as to how the product should look like. Engineering drawing gives specifications, and guides production to develop a product. Human relation looks after the welfare of the employer resolve IR problems, and provides training inputs. Accounts spell out the availability of finance to do the tasks. Production and material have very close interaction which is treated separately. Just as production depends upon the other departments in the organization, these other departments also derive useful information from the production department. Marketing and sales come to realise the production capacity of the

firm to make their plans. Human relation needs the data about the changes in production capacity to do the manpower planning.

ROLE OF MATERIAL MANAGEMENT

1. Material management as a prime corporate function: where material management holds a key role in the management of the organization and is considered as a prime or top-level corporate activity, it placed in charge of the material manager who directly reports to the Chief Executive. Like production, marketing, finance and personal, it is treated as an important area of management. E.g. in process industries where little layout is added to the raw materials for their conversion into finished products, the cost of the materials may be as high as 85% to 95% of the product cost. In such a situation financial considerations are greater than manufacturing responsibilities and hence instead of considering the materials manager subordinate to the work manager, he is put at par with him.

FIGURE 2: SHOW THE ORGANIZATION OF MATERIAL MANAGEMENT



2. Material management as an operating function: Under this, the function of materials management is considered subordinate to the production function. The material manager acts as a subordinate to the work manager. Materials management is considered as a service function to operations and is regulated with the other operations under the control and superintendence of the work manager. The splitting of the material management department will largely depends on the quantum of the work of each section and the need of the organization. Whether the material management is treated as a prime function or an operating function, the nature of splitting of the activities will be more or less the same. The usual splitting of the material under the prime consideration is given as under:

- i. Production department:** Regarding the flow of materials, selection of the supplier etc.
- ii. Marketing department:** For converting the sales forecast into production schedule and giving delivery dates to customers etc.
- iii. Finance department:** For maintaining the level of stock, locking up of funds into inventory, tapping cash discount and quality discounting.
- iv. Engineering department:** For the specification of materials, qualities requirements, product research etc.
- v. Personnel department:** For manning the material management department, vendor relationships, advertising, public relations etc.
- vi. Top management:** As an important profit centre, top management has a great concern for materials management.

NEEDS FOR INTEGRATED APPROACH TO MATERIAL MANAGEMENT

The areas under the integrated functions to material management are as under:

- 1. Planning function:** The planning part of the material management deals with the following issues:
 - i. Translation of the sales projections into long-term requirements of methods.
 - ii. On the basis of updated production plan adjusted to the sales demand.
 - iii. To project the facilities required for the material management.

- 2. Production control:** The production control function develops the short-range operation plans and schedules from the long-range plans. The function of the production control is to direct and regulate the orderly movement of materials through the enter manufacturing cycle from the procurement of raw material to the delivery of finished goods to the customers, minimum inventory investment and maximum manufacturing efficiency.
- 3. Inventory control:** Material control or inventory control is a systematic procedure for ensuring the availability of items necessary to meet the production requirements at optimum cost. It is concerned with the following issues:
 - i.** Requisition of the materials according to requirements at appropriate time.
 - ii.** Decision about the optimum size of the order which is popularly known as economic ordering quantity (EOQ).
 - iii.** To reports the inventory data to those who use them as the decision tools.
- 4. Purchasing:** The basic objective of purchasing is to produce the materials of desired quality in time to meet the production specification and the lowest estimate cost.
- 5. Receiving and stores:** The main activities of this section are as under:
 - i.** To accept the redelivery of purchasing materials, to verify them with the purchases order and packing slip, to inspect them and to papered the goods receiving note for stores and accounts.
 - ii.** To store the material properly according to the policy and ensure their quick identification.
 - iii.** To issue the materials according to authorized requisition.
 - iv.** To verify the materials physically at periodic intervals and to record discrepancy if any along with the reasons.
- 6. Shipping:** The shipping function is concern with the distribution of the finished goods. It involves the following functions:
 - i.** To receive the finished goods from the production department and to verify the quantity.
 - ii.** To papered shipping documents such as packing slip, bill of lading, railway receipt etc., which are forward with the shipment?

iii. To record about the shipment to the accounting department for billing the customer, to sales department for order closing and customer notification.

7. Material handling: The material handling function is sometimes grouped with the stores function. Material handling as a distinct service involves the following function:

i. To handle in-plant material through trucking, pallets, containers etc.

ii. To maintained the material handling equipments and other incidental items like pallets, containers etc.

8. Traffic: Traffic function is concerned with the incoming consignments of raw materials and outgoing shipments of finished goods. The former is sometimes attached to the receiving function and the latter in the shipment. However, when the company maintains its own traffic fleet or if the traffic services are hired on regular basis, it can exist as a separate function of material management.

9. Waste management: Material waste is to be reduced as far as possible. Wastage is an index to our materials productivity, minimum waste results in better productivity. An integrated approach to materials calls for co-ordination of all the above areas so as to optimise managerial effectiveness for this vital function.

CONCLUSION

In this paper we conclude that in all the organizations material management is the play a key role in procurement, storage and stock replenishment of different types of materials. The slightest efficiency in its management results in substantial absolute cost advantage. With the growth of the specialized functions in the corporate organization material management is given a distinct importance in the modern management. We have to attain highest material productivity (getting the most out of material investment). This is possible when there is co-ordination and integration of different areas in material decision-making.

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