

Foreign studies essay sample

[Business](#), [Management](#)



This chapter contains the review of Related Foreign Literature and Foreign Studies. These Literature and Studies have equipped the researchers with sufficient background and knowledge need in the preparation of the instruments to elicit the necessary information for the study. Foreign Literature

Inventory management, also called as Supply Chain Management, signifies the management concerning the flow of materials from the dealers, and the distribution of the product to consumers. Competitive pressures over the past decade have promoted supply chain management as a corporate strategy and a timely topic for academic research. This function has expanded tremendously to include activities from other business disciplines, including finance, engineering, purchasing, accounting, and forecasting, with the objective of optimizing the overall activities of firms. Realizing and applying several inventory management systems is essential in a business environment since inventory and resources are associated intimately with each other.

For instance, greater the inventory, the more will be need of resources. Cost control by an efficient inventory management system is a great challenge for the project managers, and production units. The inventory management systems are based on professional techniques that have been developed over the years. Inventory management considers the factors like purchasing, manufacture, promotion, and its methods plan to balance the conflicting objectives. The technique is based on logical philosophy, and employs the modern tools of forecasting. The models consist of techniques that continuously monitor the reorder points, to initiate timely demands.

(<http://www.innovativeprojectguide.com/project-management-tools/1-project-management-tools/103-inventory-management-conceptual-framework.html>)

Recently, there has been an explosion of interest in supply-chain management. This means managing across entire supply networks, even when they cross organizational or geographical boundaries. This approach opens opportunities for substantial system improvements, but it also raises new challenges that the traditional inventory control paradigm cannot address. Does this mean that all of our inventory models are obsolete? No, but it does mean that we need to expand and enrich our models in certain directions, and also that we need to analyze, use, and teach even the older models somewhat differently (Zipkin, 2000). Gitman (2009) listed numerous techniques available for effective management of inventory, such as Economic Order Quantity (EOQ) Model, and Just-In-Time (JIT) System. One of the major inventory management's problems to be resolved is how much inventory should be added when inventory is replaced, if the firm is buying raw material.

It has to decide how much it has to be purchased on replacement. If the firm is planning a production run the issue is how much production to schedule (how much to make) these problems are called order quantity problems. And the task of the firm is to determine the optimum or economic order quantity (or economic lot size) determining an optimum inventory level involves two types of costs. I. e. ordering cost and carrying cost. Economic order quantity (EOQ) is that inventory level that minimizes the total ordering and

caring cost. Economic order quantity is that inventory level that minimizes the total ordering cost and caring (holding) cost.

Ordering cost increase with the number of orders thus the more frequently inventory, on other hand if the firm maintain large inventory levels there will be few orders placed and ordering cost will be relatively small thus ordering costs decrease with increasing size of inventory. The just-in-time (JIT) inventory control is more just on inventory control system, it is a production and management system. Not only is inventory cut down to minimum, but the time and physical distance between the various production operations are also reduced. In addition management is unwilling to trade off costs to develop close relationship with suppliers and promote speedy replenishment of inventory in return for the ability to hold less safety stock.

The just in time inventory system depends on how well companies manage in suppliers the system puts tremendous pressure on suppliers. They will have to develop adequate system and procedures to satisfactory meet the need of manufactures. (https://www.academia.edu/3705261/inventory_management)

In most at the realistic inventory situation certainty does not exist. Both usage and acquisitions lead time usually fluctuate and cannot be completely predictable. The assumption regarding the economic order quantity is not applicable to all inventory situations. Demand or usage of items can be greater or less than anticipated due to external and internal factors. Also the acquisitions lead time can vary from favorable due to the supplier and transshipment difficulties. The U. S. automotive supply industry (ASI) is

large and diverse, encompassing hundreds of firms that provide thousands of different parts and components.

The structure, performance, and profitability of the ASI must be analyzed in the context of the development in the automobile industry since the demand for automotive parts is derived from the demand for automobiles. Slumps in auto sales, structural changes in the automobile industry, and foreign competition have caused auto parts suppliers great concern. Over the years, three important factors have significantly affected the structure of the ASI: (1) the reduction in the number of suppliers due to the past recession; (2) the increasing competition from Japanese transplant suppliers who now compete for business from the Big Three (originally, these transplant suppliers mainly supplied to the Japanese transplant manufacturers; at present, there are over 260 transplant suppliers); and (3) the “ tier system” of supply, which emphasizes quality improvement as the main criterion for contract.

It should be noted that General Motors Corporation and Ford Motor Company obtain some of their parts and components from their “ in-house” suppliers. The main implication of this high level of dependency is that the output of these suppliers is heavily dependent on the demand for automobiles. Therefore, strategies to maintain profitability and market share have to reflect this linkage. Demand forecasting, with a focus on business cycles, needs to be emphasized to formulate an effective production strategy. Considering the growing importance of measuring supply chain linkages to aid risk assessment and develop profit-maximizing strategies, this article

estimated the level of operational linkage between three automakers and their automotive parts suppliers and analyzed implications for strategic planning.

Since the demand for automotive parts is “ derived” from the demand for automobiles, the concept of linkages is appropriately applied to firms comprising a vibrant sector of the U. S. economy. The results indicate a significant level of interdependence, or linkage, with potential impact on profitability. With volatility in automobile sales and industrial unrest, suppliers will have to devise strategies related to sales diversification and production planning mainly based on forecasting and risk assessment techniques.

References:

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