

# THE MANAGEMENT OF THE PERFECT DISTRIBUTION CHAIN, GLOBALIZATION AND EUROPEAN FUNDS

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## Abstract

Human desire to create always the perfection, it is not just an ideal, but an awareness of a fact: perfection excludes problems. Human psychology - an element less heeded in economics - always is trying to fix only favorable activities, because in this way protects one of the problems that inevitably arise. Thus in terms of supply chain assets can be seen the same trend: each commercial operator wants to create the perfect system, advocating for all actors to be timely and precise in contractual obligations. However, the performance of all obligations from contracts eliminates much of the stress of economic activities as disputes will disappear. If the emergence of nation states blocked the expansion of large economic actors, acting as a strong barrier, technological development of the late twentieth century has allowed almost complete overcoming the boundaries of nations, establishing a phenomenon called globalization, which offers a great view of trades. Can we believe that since globalization became effective supply chain problem is resolved or is about to be solved permanently? Or, on the contrary, globalization appears to be the main threat in this dimension of the economy?

This article aims to highlight the necessary facts to be known in this equation, using scientific methods from many sciences, such as legal, economic, and those that are used in sociology, geopolitics and psychology. Globalization requires a new paradigm not only on borders but also on the scientific approach to research, interdisciplinarity offering more precision in the analysis.

**Keywords:** Supply chain management, globalization, interdisciplinarity, paradigm, opportunities, obstacles.

## 1. INTRODUCTION

Always, the human education heads to a single point: to ensure perfection. It is considered, the supreme desire of human actions, something we have always in mind and we want always to be present in our lives.

However, perfection is, psychologically, and perpetual fear, as any actor - especially economic - is well aware that his actions will be compared to existing reference frame, especially in a frame of reference who wants to be perfect

What does this mean in economics? There is a tendency that each commercial operator wants to create the perfect system, advocating for all actors in the field of economic exchange to meet its contractual obligations on time and just assumed. However, the performance of all obligations of contracts eliminates much of the stress of economic activities because it will disappear the disputes.

If the emergence of nation states in the nineteenth century blocked the expansion of large economic actors, acting as a strong barrier of protectionism, technological development of the late twentieth century has allowed almost complete overcoming the boundaries of nations, developing a phenomenon called globalization, which provides an extraordinary business operations.

In recent years, globalization has made notable progress were amplified future revolutions in technology and science, space operation and extended computing environment, each product is known globally to be more powerful, more "intelligent" and so on.

Advancing rhythm of knowledge "threatens" in terms of quantity - doubling every three years; information spreading rapidly and expanded space with new technology, events bondage "staggering" and "confusing" and greatly accelerated the pace of economic history.

Traditional pre-industrial societies, national and regional economies, attitudes and social behavior remodels, "civilizations intermingle and facing", everything seems to move on the path of "global state".

Rapid exchange of goods and services was achieved through the development of global networks of transportation, logistics and IT systems, and giving up old commercial treaty.

Globalization requires a new paradigm not only on borders but also the scientific approach to research, while interdisciplinarity offers more precision in the analysis. To understand the nature and limits, we first need to define it. The author believes that performing this definition only provides a suitable framework interdisciplinary understanding of all dimensions of the phenomenon, quartering strict science one size does not allow visualization of height.

Globalization is a set of continuous transformations of social, economic, political and legal growing interdependence of states in terms of domestic and international activities.

The cornerstone of this definition is the phrase "continuous transformation". Being the focal point of definition, we emphasize that the analysis of globalization today is not like yesterday's, however, any description of the future may resemble to the past, because it is possible that at some point:

- a) even if that the projected changes are not true - not one that the world in which scientists were wrong in their conclusions on "what will surely be tomorrow " ;

- b) whether certain contingencies (wars, disasters) can go back an entire planet, and forecasts that are confirmed are invalidated in this way;
- c) that there are certain inherent limitations of internal globalization and the researcher does not see at first, but that "social game" envisages them in a few years.

Economists definitions emphasizes only one aspect of this great social transformations, considering generally that globalization means removing barriers to free trade and integration of national economies (Stiglitz, Greenspan and so on).

However, we prefer the broader doctrinal dimension as better meet the challenges of our analysis.

In all definitions of the concept of supply chain of an enterprise includes all suppliers, production capacity, distribution centers, warehouses and customers with raw materials, semi-finished goods stock and the stock of finished goods and all resources and information involved in customer satisfaction.

This definition emphasizes the full integration of economic activities, economic actor is able not only to ensure the own production / extraction material necessary goods but also - after processing them - to be able to control the entire distribution to the furthest customer.

As we can see, this idea is not actually than perfection, because at that time the economic operator would have acted only in three directions:- Ensuring its resources at the lowest possible price;- Transport of goods produced at a price as low;- Sale of goods at a price higher as to ensure profit.

What is called perfection can not exist, because the size of such an undertaking can not be achieved.

Although we may believe that the small farmer would be able to completely fulfill this goal, we notice that this statement is false, because production depends on the price of transport goods.

In the big business, the only company that has tried and almost succeeded in such an operation was Rockefeller's Standard Oil, the company controlling the second half of the nineteenth century 90% of U.S. oil market fully integrating production, transport and distribution.

## 2. SUPPLY CHAIN IMPERATIVE TO THE DEVELOPMENT OF A SUCCESSFUL BUSINESS

The concept of "supply chain" was first used in the early '80s, becoming one of the most popular concepts used in business and management. This popularity is largely due to the cost reduction potential and improving customer service in order to make a profit.

A research on the topic belonging to teacher Marianne Jahre, from the Norwegian School of Management BI. Professor Jahre points out in its article written for a magazine of empirical studies from which he received an award of excellence, that: "Most of the literature supports definitely, after some research and practical experience that supply chain management and integration of this concept within the firm improves its final results" (Fabbe-Costes and Jahre, 2008). According to the teacher, "is vital to go beyond this rhetorically wall to check in detail what this concept."

While it is likened to liberalize trade and investment - may be a positive way of human development and a better outcome in terms of economic, social and cultural, economic globalization and often has negative impacts on the most vulnerable populations in countries in the North and in the South.

Northern richer and more technologically active in trying to identify the best ways industrial products can be made, but at the same time, reach as many buyers at a time as shorter. Without this velocity distribution could not be access to other markets - North while achieving system integration production - sales that scored points in global competitiveness race, and providing a model for poorer countries of South or less effective.

This is self-evident that transnational companies have profited from the economic globalization, leading to a high enough concentration of economic benefits in the hands of a small number of actors. This economic empowerment enterprises latter gives also a greater responsibility for what they want to take. However, the social responsibility of these actors is largely unrealized and unrealized because the legal framework related to human rights accountability of transnational corporations should be strengthened.

But not only private companies have the supply chain at the bottom of a prosperous business. This is the case with the popular structural funds and cohesion funds proposed by the European Union. If other countries that entered earlier the Union have received grants from these funds for regional development through projects such as "Music Museum" in Mannheim, Germany, "Tourism in protected areas in Latvia" or "renewable energy development" in the Adriatic Sea, Italy, Romania aspires to turn a better management of their absorption for the next period 2014-2020. And this would not be possible without a well developed logistics system. General Directorate for Regional Policy of the European Commission, the "Guide for Cost-Benefit Analysis of investment projects" speak about logistics services as necessary financial inputs, and linked to the analysis of the feasibility of such a project, the distribution system is important to watch for analysis more detailed opinion before absorption of such a fund. Therefore, according to the document prepared by the European Commission, the existence of a well developed logistics system is one of the main features to be checked and analyzed before granting financing.

### 3. GLOBAL SUPPLY CHAIN AS A SOLID OR VULNERABLE?

Globalization has led to the emergence of interdependent risks that did not exist previously, this represents a new challenge in the way of the supply chain management process. Risks inherent in the chain formed a topical issue even before the earthquake in Fukushima, Japan on March 11, 2011. Today, in an environment of global business risks, which were considered independent of each other before, are now on closely related, interdependent, they called the systematic risk.

Systematic risk businesses that may relate to events that occur in the breast of an industry or a country can come to spread rapidly in others. Important damage observed in Japan after the Fukushima accident last spring is an example of operational interruptions which disrupted supply chain contingent among many international companies.

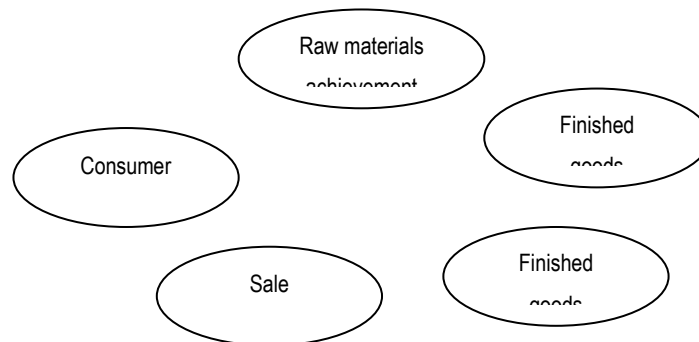


FIGURE. 1 – THE COMPONENTS OF A LOGISTICS SYSTEM  
Source : Popa R. (2011)

A supply chain or logistics can be defined as a set of procedures involved in the chain of production, distribution, storage or maintenance of goods, ranging from raw material producer to the final consumer.

Globalization strongly influences all over the world, almost equally those who have access to the sea, and those without opening to the seaside, and facilitating access to their resources to the raw materials and the markets. This development was largely driven by modern network and growing commercial maritime trade. Today, goods are sold worldwide, 80% are transported by ship. States have invested heavily in maritime infrastructure in their chain of distribution power to control their loads and acceleration information of financial transactions.

At the same time, supply chain, its maritime terms, means a tendency for a complete change of environment. Thus, the unprecedented development of China raised the shaping of new channels in Indochina, for faster transport of raw materials and their products in the global factory. In the same direction should be understood and the Prime Minister of Turkey wish to achieve by 2023 a canal linking

the Black Sea to the Aegean Sea. Basically, technological and economic power of certain actors in global trade has become so great that relief is not just a factor not likely to be changed, but also an obstacle to be removed or modified until the optimal level. In this case, however, we found a sign of what is called repositioning the geopolitical map of major regional and global power. In the study prepared by the United Nations (2009) in Conference on Trade and shipping, found that in 2008, world trade has increased by 3.6% to reach a value of 8.17 billion tons, thus progressing world tonnage amounting to 1.19 billion tons from the previous year despite weak global GDP growth.

If globalization was the one who managed to promote growth of international trade, also stressed that while inequalities between regions, societies and nations. All UN report explains how inequalities concerning globalization have created in some cases favorable conditions increase the power of violent non-state actors who have had considerable means to challenge this new economic order. If we examine more closely the development of globalization, means that maritime trade is vulnerable as hand piracy, terrorism, drug trafficking, arms and human beings, actions fraudulent, illegal fishing and pollution, the threat means more regarding the risk of disrupting maritime logistics chain and costly global economy. Current world should meet this challenge and to protect against any maritime supply chain risk. UN report ends with an optimistic picture of its Member States that use significant political resources, diplomatic and military to ensure smooth conduct of trade and opt for complex security systems and strategies in order to slow international trade but not to slow economic growth. Operational strategies are designed to prevent economic exchanges are not disrupted and to protect maritime communication routes.

#### **4. GLOBALIZATION AS SUPPLY CHAIN MANAGEMENT TREND**

Severe global competition, life in increasingly short of a product, but also the need to create more shareholder value were translated into more interest for what is a supply chain management, especially in the last decade. The purpose of a corporation remains the same, namely, to maximize long-term financial performance and shareholder value. Employment conditions and execution of international economic activities have improved in the last century and led to an unprecedented number of global goods exchange and thus dispersed supply chains worldwide. Market liberalization, lower transport costs and important advances made in terms of computer and media technology have encouraged companies to continue the process of internationalization and win new markets and new cost advantages in new locations.

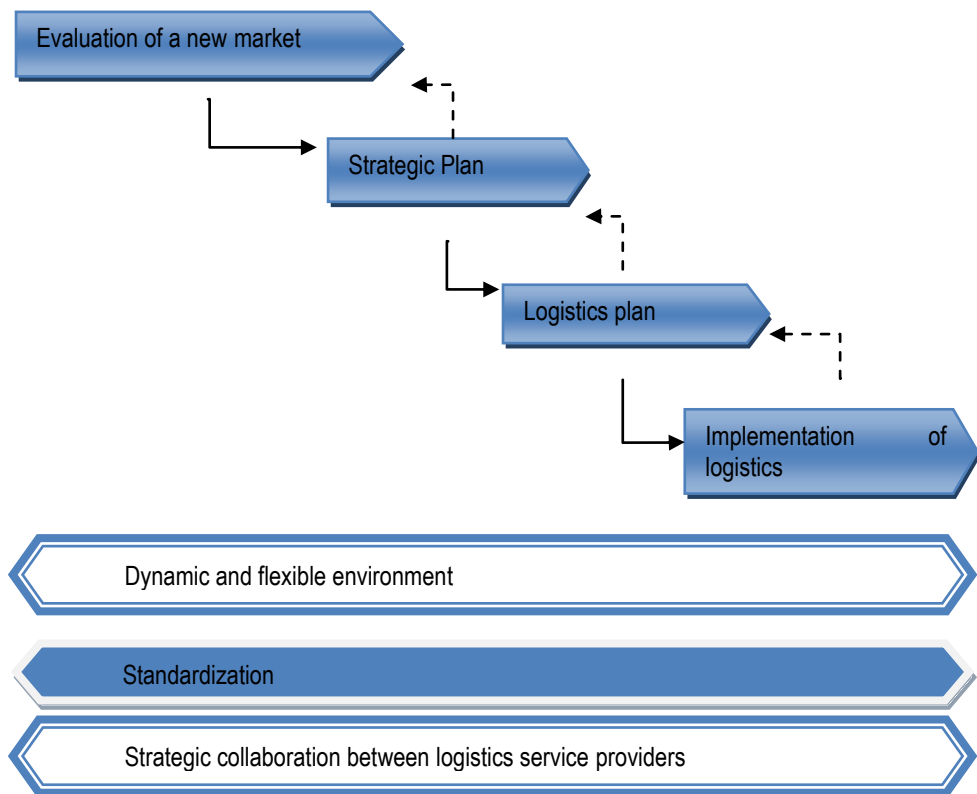


FIGURE 2 - THE INTERNATIONALIZATION PROCESS

Source: Waters (2010)

Miller (1993) was to analyze how Chinese and German companies use to implement new markets and thus observing their similarities, enough to talk about the internationalization of logistics system, delimited and its four stages from conception to implementation:

1. Evaluation of a new marke
2. Strategic Planning
3. Logistics planning
4. Implementation of logistics.

This study has been shown that the process of internationalization refers to interdisciplinary integration issues, keeping in mind that speaks of a hierarchical process that begins with the initial idea to implement a new market by the end of this implementation. Large number of locations, brokers and bidders involved in the logistics network and customers working with different methods, procedures, or in certain circumstances, are always in a complex global logistics.

## 5. ADAPTABLE SUPPLY CHAIN

The new literature by Dmitry Ivanov introduces a new concept of supply chain and supply chain namely adaptive (Ivanov and Sokolov, 2010). This refers to the ability of a supply chain to change their behavior to prevent, improve or purchase of new features to achieve its goals. This supply chain model can be called "sustainable" because he developed several sides, reaching to improve competitive edge.

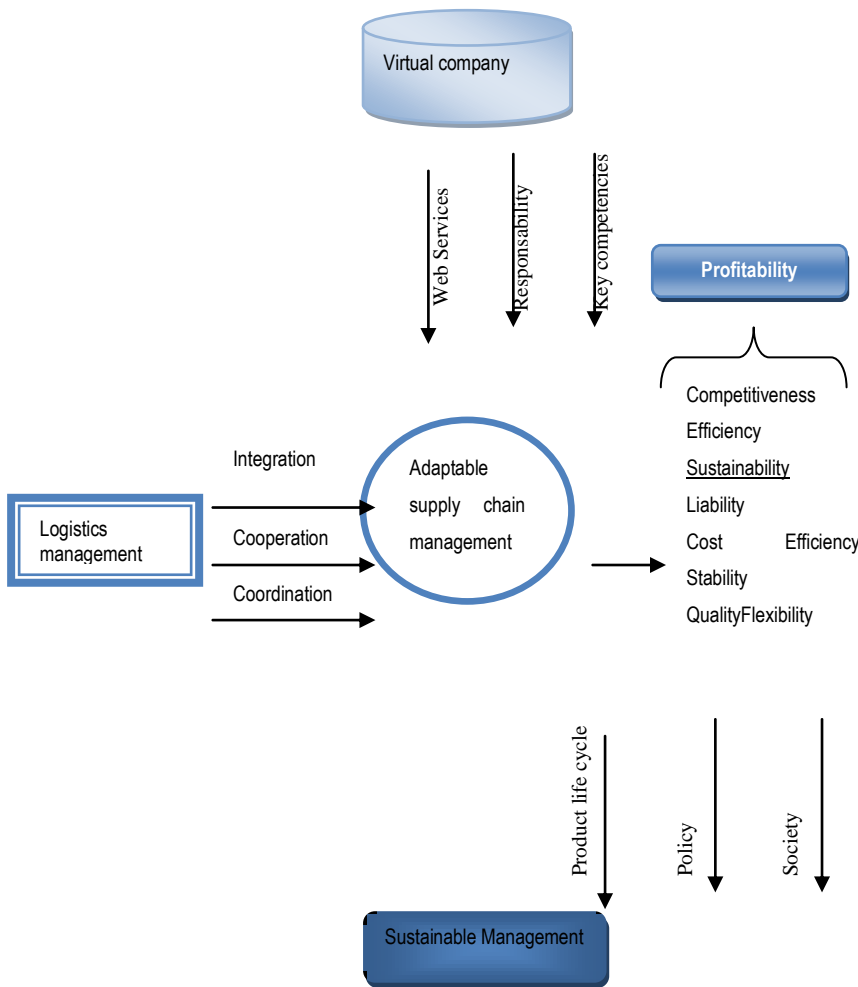


FIGURE 3 - THE SUPPLY CHAIN  
Source: Ivanov and Sokolov (2010)

In this scheme of adaptable supply chain not set different strategies between supply chains, they are considered to be integrated together. Supply chain management serves as a predecessor of integration (organizational integration - between suppliers and consumers - functional management - strategic and operational level), cooperation and coordination.



Further, the schema is enriched with information provided by Web services and other virtual alliance. Equally, this scheme integrates sustainable product development processes, the use of end of life or recovery. On the other hand, the scheme sustainable supply chain also refers to political and sociological issues that could be affected by these supply chains.

## 6. CASE STUDY: THE MCKINSEY & COMPANY ON TRANSPORT LOGISTICS

After 6 months of observation of 135 companies in the transport sector, McKinsey combines a detailed study of their historical performance experience and expertise of its leadership in developing an interesting report transport companies for railway agencies or companies providing other types of services in this area. They could use the report for strategic decision making and partnership.

While there are many causes of relative financial performance of shipping companies, the result shows that, whether created through technological process, economies of scale, improve procedural or a larger network, the actual costs are passed into the hands of passengers and cargo owners and freight costs were reduced on a regular inflation.

At the same time, supply chain is subjected to terrible pressure - from perfect, always manage to eliminate any shortfall, to a form closer to perfection. This means that overall commercial actors should be as efficient as they were in the past 50 years from a range of industry sector – i.e. in the mail.

Thus, improvements to and carry out these traders must continue to be close to a perfect mathematical model and, especially, to feel the least in terms of perceived costs, making some "natural" economy. Without such improvements, increase social dissatisfaction that appears after creating a negative perception about how to meet the social interests of economic agents.

If not improving the supply chain any loss will appear for salesman, however, if it fails to improve supply chain performance, great dissatisfaction appears from the manufacturers, because there will be a flattening profits, revealed by the study in question.

According to him, oil field operated profit declined markedly since 1990 to 2010 by more than 10 times, the material transport high energy raw materials decline is equally important, with the consequent entry into bankruptcy of several manufacturers of large ships.

Overall energy McKinsey study appear as profitable, but their golden era ends after 1980 also transport passengers and freight by land and air is not capable bring important benefits, as confirmed by resounding failures of different airlines undertaken by State and other big players, with operations embellish, but have not deceived anyone in terms of content.

All these things become visible almost 10 years since the prestigious Lloyd's, in its 2005 report dedicated ports and places of shipping emphasize that trends are declining as competition increased and the safest way to survive in the global market is as to claim that money from customers, providing as many services integrated into the supply chain.

In addition, we must take into account another important aspect: communism there and tried to be applied globally. In the competition that arose between systems and goods for the population provided the victory of capitalism economic. However, even this system is not perfect, but more important than any since 1990 in many states was necessary to return to economic normality, which is made with tough because it never tried to transition from totalitarianism of the left to democracy.

The collapse of the Berlin Wall in 1989 was thus literally and symbolically, a catalyst for the decline of communism in Europe and the emergence of social and economic freedom across countries of the Eastern bloc. Immediate collapse initiated centralized economy transition countries in Eastern and Central Europe to a market economy. New market forces have transformed logistic structures and created a competitive environment for distribution services. During this period, retail trade went from failing to have no power except that of the central government to pursue plans on to become a major force for the economy with increased control of supply chains.

One last mention is related economic costs relative to the planet's environmental situation. It is true that we always want to manmade systems work perfectly and the length of time the product was good and when it is sold to the final consumer as short.

However, there are certain events that make us realize that human evolution is not linear, that resources are limited and that, worse, some catastrophic natural events may occur that affect the supply chain over a large area, from many countries.

Thus, even if one knows the exact economic consequences of the earthquake in Japan, which would allow abandonment of production methods. No matter how great the magnitude events not sacrifice a dating business model and have been studied and optimized over several years.

Following the benefit principle that the cost of transportation for a contributor should be proportional to the benefits received, different instruments of transportation finance may be designed to match different categories of transportation benefits and the different ways in which these benefits are measured.

Globalization has increased the potential exposure risk by accelerating interconnected, thus introducing systemic element that does not exist in the past. Has no doubt that these conditions induced a significant argument and control measures of these exposures. Some companies believed they could benefit from tailored business continuity plans have been challenged by recent events. And those that are well developed will reconsider plans to optimize resistance to systemic shocks.

Chain complexity implies that the impact analysis may take time and risk minimization measures may seem costly even if relatively low investment in supply chain design can often induce significant arguments of global resistance.

## 7. CONCLUSIONS

This paper was intended to be an article that shows generally that the concept of globalization and the supply chain, with some international examples and scientific research carried out in advance of the integration of the two concepts in business today.

Geopolitical spaces and all derived relations are now increasingly considered easier than other times, because information abounds and the most difficult task of understanding the various phenomena concerned is to select the correct sea of data and comments which is really important for shaping an opinion.

It is equally true that, under the pressure of stereotyped thinking, most often seek data and information to confirm an opinion already exists, and this serves neither truth nor one who is considered a specialist in the field, the latter is considered more of a follower or mercenary (precisely because it will always find other professionals with opposing views).

These spaces geopolitical changes made in recent years. Within these major changes were fundamental economic criteria, and then politics. Although the most visible was the political aspect, which led to profound ideological changes in Central and Eastern Europe, however there was one thread of Ariadna: economy, or more specifically, material and psychological comfort offered a job.

Therefore, the economy had to somehow respond to these challenges by diversifying its operations and that meant including the creation of new concepts and methods, both on a practical and scientific analysis terms.

Supply chain and there will be no real problem to deepen not only doctrine. In this way, the management of such business presence is becoming increasingly important, because it gives real

perspective on economic development, globally. Basically, supply chain management envisages that there exists only a global society, and the lines become transnational in distribution application.

However, the elimination of border economic environment requires a greater attention to geopolitical factor so that the relationship between the two dimensions - economic and political - to be consistent and lucrative.

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