

Lecture 1

FUNCTIONAL AREAS OF MANAGEMENT

Human
Resource
Management

Marketing
Management

Operations
Management

Information &
Communication
Technology
Management

Office
Management

Financial
Material & Management
Procurement
Management



Introduction To Materials Management

- Every organisation depends on materials and services from other organisations to varying extents. These materials and services are obtained through exchange of money. Various materials are used as inputs such as raw materials, consumables and spares. These are required to be purchased and made available to the shops/users as and when needed to ensure uninterrupted production.

Introduction To Materials Management

- Efficient management of input materials is of paramount importance in a business organisation for maximising materials productivity, which ultimately adds to the profitability of the organisation.

Classification Of Materials

- Direct Materials
- Indirect Materials

MATERIALS MANAGEMENT: DEFINITION

It is concerned with planning, organizing and controlling the flow of materials from their initial purchase through internal operations to the service point through distribution.

OR

Material management is a scientific technique, concerned with Planning, Organizing & Control of flow of materials, from their initial purchase to destination.

AIM OF MATERIALS MANAGEMENT

To get

- The Right quality
- Right quantity of supplies
- At the Right time
- At the Right place
- For the Right cost

PURPOSE OF MATERIALS MANAGEMENT

- To gain economy in purchasing
- To satisfy the demand during period of replenishment
- To carry reserve stock to avoid stock out
- To stabilize fluctuations in consumption
- To provide reasonable level of client services

Lecture 2

FUNCTIONS OF MATERIALS MANAGEMENT

The general electric company U.S.A. has enlisted the following functions of Materials Management:

- Materials Planning programming
- Purchasing
- Inventory control
- Receiving and Warehousing
- Store Keeping

FUNCTIONS OF MATERIALS MANAGEMENT

- Value Analysis and standardization
- Pre-design value Analysis
- Production Control
- Transportation
- Materials Handling and
- Disposal of Scrap and Surplus

The major responsibilities of Materials Management are:

- Coordination of diverse activities
- Keeping liaison between designing, Engineering, Manufacturing, and production
- Cost reduction
- Marketing

SCOPE OF MM

- Material planning
- Cataloguing or coding the materials
- Standardisation
- Scheduling
- Procurement
- Inspection
- Quality control
- Packaging
- Storage
- Inventory control
- Distribution
- Disposal

OBJECTIVES

Primary Objectives

- Provision of materials (Procurement, Storage, Issue)
- Minimisation of inventories (Control, Accounting, Assuring high capital turn over ratio)

Secondary Objectives

- Locating new sources of supply
- Simplification
- Quality Control
- Value Analysis
- Coordination
- Development of Skill and Knowledge

Lecture 3

Problems in Materials Management

- Problems relating to Material Planning
- Problems relating to Design and Specifications
- Problems relating to Obsolescence
- Problems relating to Procurement

Integrated MM-Approach

For example, under a separate set-up, the purchase department may treat discount as a very important factor and buy large quantities to avail the discount without taking into account its impact on the warehousing and carrying costs. In other words, we need to balance the conflicting objectives from a total organization viewpoint so as to achieve optimum results for the organization as a whole

Integrated MM-Approach

- An expansion, for example, will require planning for the increased requirements, developing new sources, revision in inventory levels, apart from increased load in receipt of materials, inspection and storing.

Meaning And Need Of Integrated MM

- In an integrated set-up, the materials manager who is responsible for such interrelated functions, is in a position to exercise control and coordinate! with an overview that ensures proper balance of the conflicting objectives of the individual functions.

Meaning And Need Of Integrated MM

- Integration also helps in the rapid transfer of data. through effective and informal communication channels. This is crucial as the materials management function usually involves handling a vast amount of data.

Meaning And Need Of Integrated MM

- Therefore, integrating the various functions ensures that message channels are shortened and the various functions identify themselves to a common materials management department which in turn, results in greater coordination and better control.

INTEGRATED MATERIALS MANAGEMENT

- An integrated set up efficient management of input materials.
- Material planning & indenting, purchase systems & procedure, variety reduction through standardization & rationalization, reducing uncertainties in demand & supply.

INTEGRATED MATERIALS MANAGEMENT

(Contd...)

- Better accountability
- better coordination, better performance, better adaptability to EDP
- Training and development of staff

Relationship Of MM With Other Functional Areas Of Management

- Materials and profitability
- Material Management and Production department
- Material Management and Finance department
- Materials Management and Personnel Department
- Relationship between Material and Marketing department

Lecture 4

Concept Of Organization & Structure.

- An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

Concept Of Organization & Structure

- The organizational structure also determines how information flows between levels within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization.
- Having an organizational structure in place allows companies to remain efficient and focused.

MM In The Overall Company Organization

- Providing greater direct control over material costs
- Developing Personal awareness of the total system approach instead of a narrow and restrictive functional approach. •
Opening channels of communication and stimulating the sharing of ideas among the various material functions. •
Supporting the career paths of talented personnel by providing them the means to develop well-rounded expertise. The material concept supports the movement of personnel across functional boundaries.

MM In The Overall Company Organization

- Developing greater operating efficiencies as material functions work together to create material systems, coordinate procedures, and streamline the movement of material and data among themselves.
- Encouraging an overall synergistic effect as functions cooperate towards common goals.

ORGANIZING FOR MATERIALS MANAGEMENT

- Someone in every organization must make materials management decisions and since materials objectives are inter-related, it is desirable to give one-person authority over all activities concerned with materials management.

ORGANIZING FOR MATERIALS MANAGEMENT

- There are some organizations where materials authority is dispersed in a number of departments in the organization, which means duplication of efforts and is considered a wasteful exercise.

ORGANIZING FOR MATERIALS MANAGEMENT

- A materials manager is needed, since Inventory management is a key process and requires tough decisions and as such must understand the inventory process.
- Purchasing managers of manufacturing companies also work frequently as materials managers, particularly if there are no major materials management problems.

ORGANIZING FOR MATERIALS MANAGEMENT

- In majority of organizations, the purchasing manager makes an excellent and effective materials manager provided he has the skills and authority.
- There are number of problems being faced in such a situation.

ORGANIZING FOR MATERIALS MANAGEMENT

- One quite common arrangement is to group together all materials management activities under a materials manager who in turn report to manufacturing manager.

Lecture 5

ORGANISING MATERIALS MANAGEMENT

- The materials manager requires a staff to help him achieve his objectives.
- The feasibility of a materials management organization are division of work by:
 - Organization by function
 - Organization by Location
 - Organization by Product\Project

ORGANISING MATERIALS MANAGEMENT (CONTD..)

The important aspects which must be considered are:

- 1) The project schedule will require timely procurement of materials.
- 2) Storage at site where conventional stores management aspects are not relevant .
- 3) Flexibility of the set-up to spot interchangeable materials and equipment between projects to avoid delay and idling of equipment.
- 4) Ability to obtain or forecast costs which will assist in costing the entire

Lecture 6

Inter-Departmental Relationships

Materials Management with:

- ★ Production Department
- ★ Marketing Department
- ★ Finance Department

Span Of Control And Delegation

- ✓ Principles of sound organization should be followed in establishing span of control and delegation of powers.
- ✓ Executives at the top of an organization will have fewer persons reporting to them than a materials engineer who at his level may have many persons reporting to him.
- ✓ Powers, especially those of expenditures, should be clearly defined so that smooth working is possible.

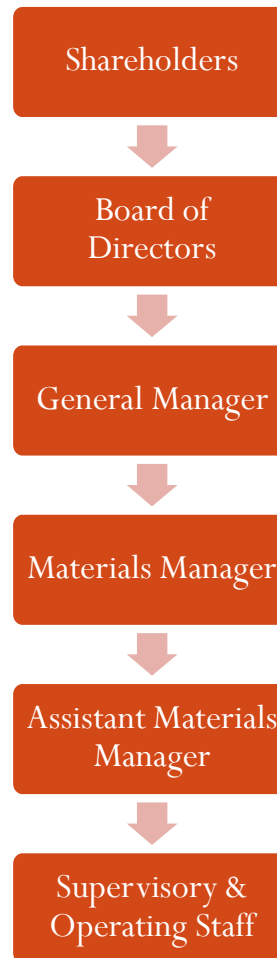
Approaches to organizing materials management

- Conventional approach
- Modern approach
- Mixed approach

****Both at Top level and Middle level.****

CONVENTIONAL APPROACH

ORGANISATION
CHART



.....The Source of All Power
& Authority

MODERN APPROACH

General Manager

Purchase Department
Headed by Purchase
Manager

Materials Department
Headed by Materials
Manager

Middle Level Executives
Supervisory Staff And Operating
Staff (Purchase Department)

Middle Level Executives
Supervisory Staff And Operating
Staff (Materials Department)