

AJPLSCM Vol. 1, Issue 3, Page: 81-86,  
March 2020, ISSN: 2676-2730  
Impact Factor (SJIF): 6.782  
Journal DOI: 10.15373/22501991  
International Peer Reviewed & Refereed  
Journal with Indexed Journal Platforms

web: [www.damaacademia.com](http://www.damaacademia.com)  
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#### **Author(s)**

**Ebenezer Essilfie-Baiden**

ID: OAA/DR/07NOV17

School of Finance & Financial Management,  
Business University Costa Rica (UNEM),  
Ghana Campus

Email: [essilfiebaiden@gmail.com](mailto:essilfiebaiden@gmail.com)

#### **Correspondence**

**Ebenezer Essilfie-Baiden**

ID: OAA/DR/07NOV17

School of Finance & Financial Management,  
Business University Costa Rica (UNEM),  
Ghana Campus

Email: [essilfiebaiden@gmail.com](mailto:essilfiebaiden@gmail.com)

# **Supply Chain Management, the Control and Organizational Flow of Material, Information, and Finances**

**Ebenezer Essilfie-Baiden**

#### **Abstract**

Logistics management is the part of supply chain that arranges, actualizes, and controls the proficient, powerful forward, and turns around stream and capacity of merchandise, administrations, and related data between the purpose of inception and the purpose of utilization with a specific end goal to meet client's requirements (Waters, 2009). An expert working in the field of logistics administration is known as a logistician. The purpose of the thesis is to provide some data to import football from Pakistan to Finland while keeping the cost low on transportation as it is the most expensive part of the business, by choosing the right selection of port and selecting the proper size of vehicle for transporting goods from ports to the destination, to compete within the market with other similar products is by offering the lower price and providing quality products. The aim and of this thesis work is to present a cost-effective and efficient way to import goods from Pakistan to Finland, selection of suitable transportation system, comparison between FCL (Full Container Load) and LCL (Less than a Container Load), selection of a logistics company. In order to achieve the above objectives, I have divided the entire work in different successive topics, which are Introduction (Background of the study); Logistics and supply chain management, and import and export procedures. **Keywords:** Business plan, Entrepreneurship, Import and export, supply chain management, Logistics, transportation, Football, Foreign policies, Taxation

## **1.0 INTRODUCTION**

Supply chain management is the control and organized flow of material, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to the end customer. The ultimate goal of effective supply chain system is to reduce the inventory and waste. With the help of sophisticated software systems such as ERP, it's easier to track flow of all the activities in supply chain management. Supply chain management flows can be divided into three main flows: the product flow, the information flow and the finances flow. The product flow includes all the movements of goods starting from supplier to the customer. The information flow related to the fill up the demand, location providing services and feedbacks. And finally the finance flow deals with all the payments, consignment and title ownership arrangements (SCM, 2010) (Waters, 2009). Supply chain management is a very complex process, thus to keep the productivity flow smoothly and focusing on the weak area in a chain, as there is always room for improvement.

In this section, the addressed issues are in supply chain management in much more details. These issues span a large spectrum of a firm's activities, from the strategic through the tactical to the operational level: The strategic level manager's choices have significant impact on the firm. It concludes the choices with respect to item outline, what to make inside and what need to be outsourced, supplier selection, and addition to the number of suppliers, area and limit of distribution centers and assembling plants and the stream of material through the logistics system. The strategic level incorporates choices that are ordinarily upgraded every three to four months consistently. These include purchasing and production decisions, inventory policies, and logistics strategies, incorporating the recurrence with which clients are visited The operational level handling by supervisors or team leaders refers to day-to-day decisions such as scheduling, lead time quotations, routing, and truck loading (McGill, 2010).

An inability to define potential risk and create alleviation methodologies for those dangers that have a high likelihood of occurring could risk business congruity and benefit. On the other hand, companies that tackle risk as a top priority inclined to face real issues identified with versatility and responsiveness to unpredictable interest. In this manner, small and medium size organizations need to make a vigorous danger moderation arrange for that addresses

the absolute most basic and basic inventory network related dangers including supplier quality and execution, ware value instability, more muddled item and administration blend, absence of perceived ability to outsourced operations and connections, lacking physical appropriation bases, and unpredictable transportation cost (Waters, 2009).

## **2.0 LITERATURE REVIEW**

### **2.1 Logistic Management**

Logistics management is the part of supply chain management that plans, implements, and controls the efficient, effective forward and reverses flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customers' requirements. (Taylor, 2009). Logistics exists to fulfill customer demands by encouraging relevant manufacturing and marketing operations. The principle obligation of logistic is the geographical positioning of raw materials, work in progress and finished inventories at the lowest conceivable expense. Creating logistics value is costly. Logistics represent one of the highest costs of doing business. The expenditure normally goes from 5% to 35% of sales depending on the type of business. In this manner thus logistics even though very important part for any business success remains one of the most expensive part (may 2016). Logistics management includes the design and administration of systems to control the flow of materials work in progress and finished inventory to support business unit strategy”.

From the above definitions, we conclude that: Logistics management is the function of managing the total flow of materials which includes movement of raw materials from suppliers, in process within the firm, and movement of finished goods to the customer. Logistics management covers both physical flow of products as well as information flow covering reports and documentation relating to goods movement. Logistics management involves procedures that meet customer service at the minimum cost. Logistic management achieves cost reduction by speeding the flow of materials, work-in-progress and finished products.

### **2.1 Activities of the Logistics Functions**

Logistics is the science of management, engineering and activities concerned with maintaining the resources which helps to improve the plans and operation taking place in any business. The role of the logistics is to maintain the balance between supply and demand. There are various activities of logistics covered in this section.

#### **2.1.1 Order Processing**

Though this activity does not contribute much in total costs, yet it is treated important because of its contribution to lead time. Order processing relates exchange of information between customers and organizations. The information can be used later for further analysis about fulfilling the market demand, the kind of operation should be involved and the quantity of product available for customers (Taylor, 2009).

#### **2.1.2 Transportation Management**

Transport is responsible for the physical movement of materials between points in the supply chain (Waters, 2009). It is the heart of the all logistics. As transport also takes time, it can make the direct impact on time utility and therefore it's crucial to understand the role of the transportation. There are several types of transportation systems available and each concerns with the selection of most economical transportation mode e.g. sea, rail, road, and air. Every organization uses transportation whether it's for raw material or finish product to end customers (Waters, 2009). When taking the transportation management into consideration it is very important to understand the idea about how transportation can be safe and secured. Most of the products are transported from place A to place B usually in containers, so it is a good idea to find which container size is suitable for the requirement. In the shipping sector the use of containers offers number of valuable features for example, the durable design of the containers, safe environment for the products, easier to transport and availability in different kinds and sizes. The modification can be done easily according to requirements (raza, 2012). The containers are equipped with IR devices which makes them easier to locate and identify as there are thousands of containers loaded in a single ship. The IR data can be controlled by computer which makes faster to locate the right container (DSA16).

### **2.2 Preference of containers**

There are several options to choose for import and export goods using containers. The most commonly used are LCL and FCL.

### **2.2.1 Full container load (FCL)**

FCL refers to a single container transported by a shipper exclusively. This service is used by business that has enough cargo to fill up the whole container making it cost effective (2014). FCL is cheaper than LCL per unit of freight. The reason is because freight agents prefer a full container rather than filling the container with different product by different clients. It turns out to be the best option for many businesses if the product or raw material is in big quantity. On the other hand, it keeps the inventory high (kronitz, 2015). Another advantage of full container load is the departure time is flexible and can be more carefully synchronized with the production timetable (Indo).

### **2.2.2 Less than a container load (LCL)**

LCL refers to cargos filled by different clients in a single container, having benefit of shipping the cargo without paying the full freight of full container (2014). It is cost effective for smaller cargos which cannot utilize full container. The abbreviation LCL formerly applied to “less than (railway) car load” for shipping material to multiple locations (raza, 2012). With LCL shipment there is always a risk of damaging goods, as you have no control over the cargo loaded in the same container with your products for example loading heavy material, risk of damaging the product by other liquid products, smelly objects etc. in addition to that, the multiple destination of the cargo increase the complexity and risk late delivery, misplaced or lost (kronitz, 2015).

## **2.3 Inventory Management**

Inventories require to be maintained to take care of needs between the time of demand and time of supply. The objective of Inventory management involved decisions concerning to provide uninterrupted production, sales and customer-services at the minimum cost and since for many organizations inventory is the largest assets category, inventory problem can cause business failure (Waters, 2009). Now the question is how much inventory should be in stock so that the demand can be fulfilled on time, and at the same time not losing the value of the stock. In my work experience I have come across such a situation if the stock is not carefully selected it can harm the profit of the company. In (Kokkolan Nahka) same situation had to be dealt with, if large stock was collected, then they have to deal with larger warehouse and keep the temperature constant throughout the year so they can make sure there is no harm to the skins from bacteria and if too little stock in warehouse then the demand cannot be fulfilled and there is a possibility to lose the customer.

## **2.4 Warehousing**

A warehouse is any location where stocks of material are held on their journey through supply chains. (Waters, 2009). Warehousing is concerned with management of space to hold inventories and it involve such issues as site selection, space determination, layout and design, receipts issues and storage and preservation. Karabus and Croza say that a “product should never be warehoused or stored, but should be continually be in movement, with the least possible number of handling steps”. (Waters, 2009). From an organization point of view, the warehouse divided into two parts. Those linked to upstream suppliers and dealing with the raw materials that are collected before operations. Those linked to downstream customers and dealing with finished goods during distribution to end customers. (Waters, 2009).

### **2.4.1 Activities of warehouse**

Warehouses are used not only for storing raw materials or ready products but receiving products from multiple suppliers examining the products, sortation of the product examining the product, labeling, and keep the product ready for either used as a raw material or supplied to the end customers. At the same time labeling the product, dispatching, loading and unloading to vehicles for deliveries. It is important to keep the documentation up to date to keep the productivity flow. Some of the activities of warehouse are mentioned below in details (Waters, 2009).

### **2.4.2 Raw material storage**

Purchasing the raw material in large quantities keep the cost of transportation lower, the purpose of the warehouse here is to divide raw material into small manageable quantities so it can be distributed without delay to different manufacturing departments where needed furthermore it can be transferred for labeling and packaging for deliveries to the customers (Weele, 2010).

### **2.4.3 Intermediate facilities**

These warehouses are popular among assembly departments where the ready parts are provided by different suppliers and assembled at one place, for example; car industries, motorcycles, electronics (Weele, 2010).

#### **2.4.4 Ready product**

This kind of warehouse is used for storing finished goods and ready for the delivery whenever the demand is increasing and acts as a buffer stock. The benefit of such warehouses is the production line can be used to manufacturing other products (Weele, 2010).

#### **2.4.5 Cross dock**

Cross docking helps to minimize the transit time. The finished or unfinished products come from different locations, the items are then labeled and then transported with the product that shares the same destination. As a result, the overall material handling is reduced and chances of product being damaged are less likely (Waters, 2009).

### **2.5 Material Handling**

Material handling is the movement, protection, storage and control of materials and products throughout manufacturing, warehousing, distribution, consumption and disposal. (2016). Every time an item is moved it costs money, takes time, and gives a chance to damage it, so the efficient warehouse reduces the amount of movement and only makes the necessary movement if possible. A reasonable set of aims for material handling includes: movements of material only if required, by using proper machinery time length can be reduced, increasing storage density by reducing the amount of waste space, smoothening of materials flow, selection of materials handling equipment, Maintenance of materials handling equipment (Waters, 2009).

### **2.6 Packaging**

It is concerned with design of packing of the product that ensures damage-free movement of the product and is conducive to efficient handling and storage. In packaging the products are assigns with the special number which helps to locate and identify the product easily. Many companies outsource their packaging as it involves great amount of information which consumes more time and sources. Packaging also can serves as marketing tool for many, as products can promote other products on the same package (Waters, 2009).

### **2.7 Acquisition**

It is concerned with sourcing, arranging and ordering of the product in order to make sure its availability at the right place, at the right moment and at the right time. Acquisition, however, does not include other purchasing activities such as price negotiation, vendor rating etc.

### **2.8 Product Scheduling**

Product scheduling is related with preparation of total quantities to be produced in accordance with demand, actual as well as projected. Product scheduling, in general it does not include day-to-day detailed scheduling carried out by production planner but if needed the schedule can be modified (Weele, 2010).

### **2.9 Information System**

Information system is an absolute necessity for the successful implementation of logistics function. Database on customer location, sales volume, stock levels, lead times etc. must be kept up to date (xaib).

## **3.0 CONCLUSION**

My paper is based on my business plan, and there is very good reason to write everything down in your plan so it gives the idea in which direction your business might go before investing the money. Many entrepreneurs made mistakes and think business is equal to money, but if you misunderstand the demand of your customers and not really sure what they really want will kick you out of the business very quickly. So before starting the business make sure to spend time on your customers and their needs and provide the products they are looking for, as happy customer means happy business.

In my research I have analyzed that before jumping into business and making some decisions and investing money without knowing what outcome would be, it is good idea to ask for some professional's advice and if there is an opportunity to learn in a field than one should spend some time to learn what is the difference between calculations on paper and in a real life environment.

SWOT analysis is a tool used to determine the internal factors of strengths and weaknesses and external factors of threats and opportunities to the business. Strength and weaknesses are internal factor because they are directly proportional to the action performed inside the business, for example, how well the quality issues are taking care, and how well the inventory is organized. By giving close attention to these internal factors the weaknesses can turn into strengths. In external factors (opportunities and threats) such as laws, global market, weather conditions, social situations can effect unwillingly (Berry).

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