

# Conceptual Relevancy of Deming Wheel with Respect to the Authorized Economic Operator Programme of Indian Customs

Thomas Christopher De Almeida<sup>1</sup>, Dr.R.Magesh<sup>2</sup>

<sup>1</sup>Research Scholar, Manonmaniam Sundaranar University, India

<sup>2</sup>Associate Professor, Department of Management Studies, Anna University, India

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**Abstract:** Authorized Economic Operator (AEO) is a programme under the aegis of World Customs Organization (WCO) for the frame work of Standards to Secure and Facilitate Global Trade (SAFE) and to facilitate movement of legitimate goods across internal borders. In India, the AEO Programme is administered by Customs and Central Excise Department (CBEC) under the Ministry of Finance. Any entity that complied with the pre-determined requirements for the said programme can have the commercial advantage coupled with high degree of standards on security for the goods across borders of India and other countries. The AEO programme is aimed to ensure quality operations of supply chain through a flawless system controls by a methodical process and strict compliance to the process. Therefore it is more appropriate to study the significance of conceptual relevance of Deming Wheel which is one of the most effective methods in Quality Management. The P-D-S-A Cycle is very much appropriate for implementation of the AEO programme.

**Keywords:** Authorized Economic Operator, Deming Wheel, Goods Security, PDSA Cycle, and World Customs Organization.

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## I. INTRODUCTION TO AUTHORIZED ECONOMIC OPERATOR PROGRAMME

The global trading system is vulnerable to terrorist exploitation while the international trade is an essential element for economic development. Customs plays a unique role in providing increased security to the global trade while facilitating the legitimate flow of goods.

Thus, in 2005 the World Customs Organisation (WCO) adopted the SAFE Framework of Standards to secure and facilitate global trade, which includes the concept of an Authorized Economic Operator (AEO) whereby a party engaged in the international movement of goods is approved by Customs as compliant with the supply chain security standards, and given benefits, such as simplified Customs procedures and reduced Customs intervention.

The AEO concept is being increasingly adopted by various Customs administrations with the objective of securing the supply chain with resultant benefits for the trading community. Consistent with the "SAFE Framework" (Standards to Secure and Facilitate Global Trade) developed by the WCO, the Indian Customs administration has developed an AEO Programme that encompasses various players in the international supply chain such as importers, exporters, warehouse owners, Custom Brokers, cargo forwarders and carriers; elaborated in the Circular No: 28/2012, dated 16th November, 2012 issued by CBEC

The objective of the AEO Programme is to provide businesses with an internationally recognized quality mark which will indicate their secure role in the international supply chain and that their Customs procedures are efficient and compliant. An entity with an AEO status can, therefore, be considered a 'secure' trader and a reliable trading partner.

The AEO Programme seeks to secure the global supply chain in partnership with business entities that are fully legally compliant and provide with the Customs the confidence to validate their security features.

## II. THE REQUIREMENT FOR AEO PROGRAMME

The application of an entity to be considered for the AEO programme should necessarily be compliant with Appropriate record of compliance of Customs and other relevant laws, Satisfactory system of managing commercial and, where appropriate, transport records, Proven financial solvency and Maintenance of approved security and safety standards

The entire chain of operations of supply chain should be with a flawless process control with due compliances to all statutory norms and practices.

## III. THE DEMING WHEEL

Dr. Edwards Deming was an eminent scholar and teacher in American academia for more than half a century. He published hundreds of original papers, articles and books covering a wide range of interrelated subjects—from statistical variance, to systems and systems thinking, to human psychology. He was a trusted consultant to influential business leaders, powerful corporations and governments around the world. This includes inspiring and guiding the spectacular rise of Japanese industry after World War II, and the resurgence of the American automobile industry in the late 1980s. The impact of his revolutionary ideas has been compared to those of Copernicus, Darwin and Freud. Others have referred to him as the father of the third phase of the Industrial Revolution. He was a visionary, whose tireless quest for the “truth” and unwavering belief in "continual improvement" led to a set of transformational theories and teachings that changed the way we think about quality, management and leadership

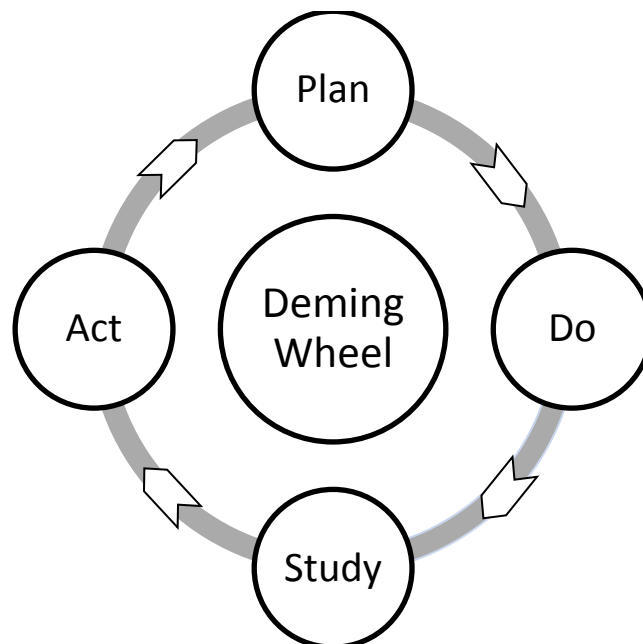


Figure 1

The PDSA Cycle also known as PDCA cycle is a systematic series of steps for gaining valuable learning and knowledge for the continual improvement of a product or process, Figure-1, Also known as the Deming Wheel, or Deming Cycle, the concept and application was first introduced to Dr. Deming. Fig. 1, The cycle begins with the Plan step. This involves identifying a goal or purpose, formulating a theory, defining success metrics and putting a plan into action. These activities are followed by the Do step, in which the components of the plan are implemented, such as making a product. Next comes the Study step, where outcomes are monitored to test the validity of the plan for signs of progress and success, or problems and areas for improvement. The Act step closes the cycle, integrating the learning generated by the entire process, which can be used to adjust the goal, change methods or even reformulate a theory altogether. These four steps are repeated over and over as part of a never-ending cycle of continual improvement.

#### IV. CONCEPTUAL RELEVANCY OF DEMING WHEEL

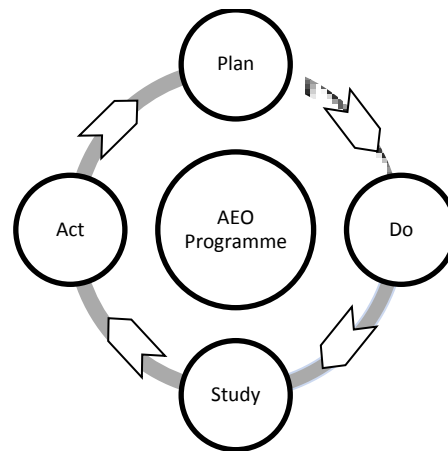


Fig.2

The entire chain of operations of supply chain is aimed at attaining a flawless process control with due compliances to all statutory norms and practices for the purpose of the Authorized Economic Operator Programme. The P-D-S-A cycle fulfills the systematic approach necessary for the AEO programme, Fig. 2.

#### V. LIMITATION AND CONCLUSION OF THE STUDY

The empirical study has been carried out to find the conceptual relevancy of the Deming Wheel with respect to the requirement of the Authorized Economic Operator Programme and is found to be highly relevant to the AEO programme that is aimed at attaining a flawless process control with due compliance to all statutory norms. The P-D-S-A cycle is the time tested concept for its application in Quality Management and has extended applicability for the Authorized Economic Operator as well.

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