

**PURCHASING & PROCUREMENT MANAGEMENT**

**SBS MBA SPECIALIZATION**

**ASSIGNMENT II**

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| UNIT TITLE | **PURCHASING & PROCUREMENT** | UNIT CODE |  |

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**Total Marks: \_\_\_\_\_\_\_ /60**

Dell relies on a unique supply chain strategy that gathers large volumes of customer information through its direct sales model and shares it with the internal procurement and sales department as well as external suppliers. These close relationships allow dell to know what to supply in real-time and very quickly and precisely meet the demand while maintaining low inventory. The relationships able to forecast accurately without filling a pipeline of finished goods.

To successfully forecast, Dell maintains a constant flow of data in two information loops. One between customers and the Dell sales team, and the other among sales, procurement, and suppliers. This helps dell to know how well suppliers can support these forecasts and on another end, how a dell sales team can effectively promote. Dell’s communication system provides a rich mix of current and historical information about supplier performance. To compete globally, Dell should look at efficiency and cost containment. Unlike certain companies that strictly focus on revenue increases; Dell has made use of the emerging concept of outsourcing even at an early stage while adding value to it through the advanced ICT. As companies seek to enhance their competitive positions in an increasingly global marketplace, they are discovering that they can cut costs and maintain quality by relying more on outside service providers for activities viewed as supplementary to their core business. Firms usually derive two main advantages by outsourcing; strategic flexibility and lower costs. Dell outsources because it enables Dell’s business model to be successful.

Dell believed that their comparative advantage is in pricing, customization, and rapid order fulfillment. They also realized that they could explore more advantages through supply chain management and logistics than focusing on the manufacturing of components. It may be true that Dell does little more than the final assembly of components into PC under such concept does but the fact remains that it facilitated Dell to focus on the most critical factors in customer satisfaction and retention. Dell very correctly focused on core areas where they are good at while allowing their suppliers to do the rest in other areas of the process.

Outsourcing, in general, has become one of the most important and popular strategies in an increasingly competitive marketplace. This concept has proven results for Dell considering their global success, which is a prime result of the development of and recommitment to the core competencies of the company. Dell was able to do this by delegating most of the work to its suppliers who independently contributed their share in completing “Dell total product” for mutual benefits. Because Outsourcing allows companies to focus only on their most successful, work and enjoy the benefits of allowing their outsourcing partners to do the same in whatever their core areas.

Dells, outsourcing relationships have been focused on cost savings to multidimensional partnerships that support the core business of client corporations. This type of outsourcing relationship has delivered lucrative results for Dell to engage in more and more outsourcing activities as partnerships. Therefore, Dell's component providers are taking increasing responsibility in improving service standards. Dell is so big that the suppliers want to be associated with them badly thus, they revisit their corporate strategy, information management, business investment, and internal quality initiatives to be on par with Dell’s needs.

Accordingly, in consideration of several advantages that Dell gains through purchasing most of the components from independent suppliers, it can be concluded that outsourcing allows Dell to focus on what it does best and leave their component suppliers to do the rest at their best for Dell.

**ANSWER ALL THE QUESTIONS (4 x 15=60marks)**

1. **Explain what role procurement and sales play in Dell's unique Supply chain strategy?**

One of the major components of the Supply chain strategy is to define the functional role of the procurement and sales department. As they are considered the pillar of the distribution of the products in its right path process. Dell Company has realized the significance of applying procurement and sales issues to serve the distribution operation. Dell adopted outsourcing strategies in the supply chain process. Due to this adoption, the procurement and sales department are the basic pillars to facilitate sharing data. The common cooperation between outsourcing strategy and the provided data gathered from procurement and sales section guide to the success of the internal operations. Defining the outsources locations and community is the result of organizing the procurement and sales department.

According to Prahalad, 1990, outsourcing activities, practices, and materials are the basic figures to enable the company to concentrate on its major field. It also helps to focus on quality and competency rather than distractions factors. Dell has implied this technique strongly to ensure the quality and effectiveness of the productions. The role of the procurement and sales department is they are considered a trusted counselor to involve in conducting plans and budgets. As provided in this case, Dell collects a wide range of volumes and tendencies of clients by adopting direct sales samples. They also provide analytical backed thoughts and insights, which are utilized to convert data into practical values.

1. **Comment how effectively different drivers of supply chain and internal procurement utilized by dell?**

The success of the organization in approaching outside comes from the success of applying internal engines. A variety of drivers in the supply chain is the community and healthy relationships of Dell. One of the most outstanding drivers of a supply chain is focusing on developing manufacturing management. Based on the theory that says how to process is all matter, the supply chain is the source of bringing all relative materials and components that cooperate in manufacturing. This strategy has accomplished pricing competitive advantage. Applying internal procurement tactics is effectively and sufficiently done. The drivers of the supply chain are the suppliers of manufacturing materials. Internal procurement is using these materials in the manufacturing process in order to focus on the quality, competency, and declining cost. Dell has recognized the crucial role of customer satisfaction rather than considering raising profits.

1. **Why does Dell purchase most of the components that go into its PC from independent suppliers, as opposed to making more itself? (Dell does little more than a final assembly of components into PC)**

Dell is established to produce full computing devices. It is not founded to manufacture hardware and pieces for the computer. So that wasting time to gather the supplements will consume the energy and productivity for the core process. In this regard, if the company manufactures its needed equipment, it will also responsible for addressing the errors and drops, which will result in more wasting the time and quality. Hence, receiving the supplements as required and attached in the strategic plan is the ideal resolve.

Independent suppliers of Dell are reliable sources to bring the materials form. Conducting such a strategy mainly highlighting the quality and competency of the manufacturing operations. Outsourcing is identified as an effective manner to focus on manufacturing, not processing, and addressing the relative issues. It is essential to decrease the efficiency and sufficiency of the components; nevertheless, it is consuming time and effort to build up a specific frame for this field. According to Jiang, 2006 outsourcing contributes to the process-aligned flow. Dell has realized the significant role of recruiting suppliers to provide the company with the needed supplements and materials.

1. **How Dell can eliminate redundancies and maximize the value of the procurement process today?**

The value of procurement operation is based on the amount of income and the number of outcomes. As the company follows specific criteria to import the materials, supplements, and hardware tools, it is possible to balance the expenses and profits. The extension of the outsourcing relationships, which converted the major focus from cost savings to multidimensional partnerships that advocate the goal of current manufacturing. Suppliers of Dell attempt to convey the best quality for manufacturing operations. The reputation of Dell attracts suppliers and partners to make big deals with which in return raise the competency and accuracy of the provided supplements.

The elimination of redundancies as a result of strict and critical procedures. The suppliers of Dell maintain developing their service standards. The increasing of the value depends on the quality of components and the accuracy of manufacturing. Based on the present strategy of Dell, the only mission of the company is to manufacture the products according to high-quality standards.

**References:**

* Prahalad, C.K. and Hamel, G. (1990) ‘The core competence of the corporation’, Harvard Business Review, Vol. 68, No. 3, pp.79–81.
* Carter. R. The procurement function's role in strategic outsourcing from a process perspective. Department of Supply Chain Management W.P. Carey School of Business Arizona State University. 2007