

Master of Business Administration



OPERATIONS AND SUPPLY CHAIN MANAGEMENT



Definitions of Supply Chain Management

- American Council of Supply Chain Management Professionals:

The planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. It includes collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers and customers.



Definitions of Supply Chain Management

- American Institute for Supply Management
The design and management of seamless, value-added processes across organisational boundaries to meet the real needs of the end customer.



Definitions of Supply Chain Management

- American Association for Operations Management

The design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronising supply with demand, and measuring performance globally.



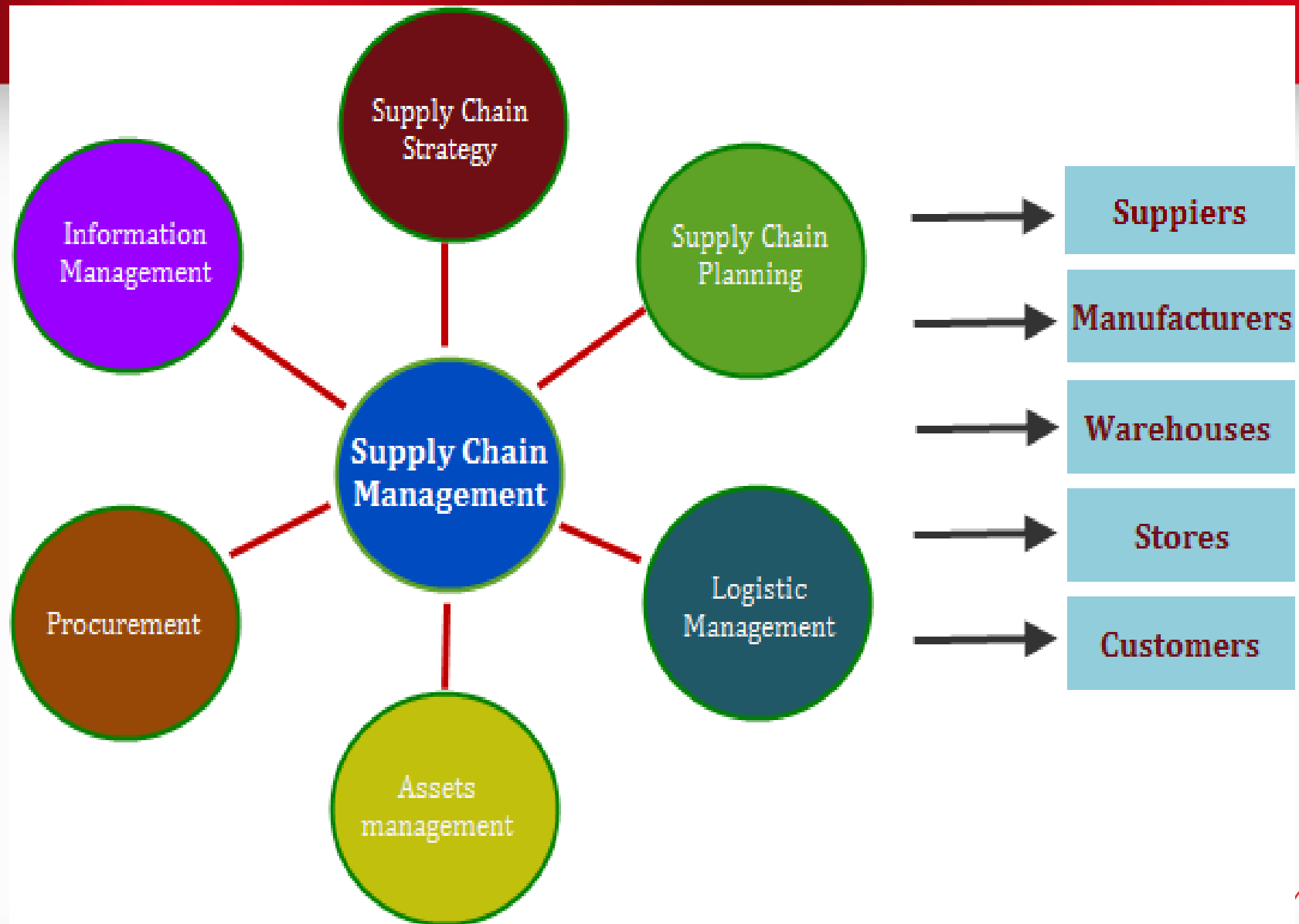
Consistent in these definitions

- Co-ordinating or integrating a number of goods and services related activities among supply chain participants to improve operating efficiencies, quality and customer service.

For supply chain management to be successful

Organisations must work together by sharing information on:

- Demand forecasts
- Production plans
- Capacity changes
- New marketing strategies
- New product and service developments
- New technologies employed
- Purchasing plans,
- Delivery dates



What are Purchasing and Supply Management?

- **Purchasing is a functional group/activity that supplies the organization with materials. It is often referred to as procurement.**
- **Supply Management is a progressive approach to managing supply base and the supply chain.**

Supply Elements

Supply management – a strategic approach to purchasing

Supply Issues

- Supply base reduction
- Supplier alliances
- Supplier relationship management (SRM)
- Global sourcing
- Ethical and sustainable sourcing

Overview

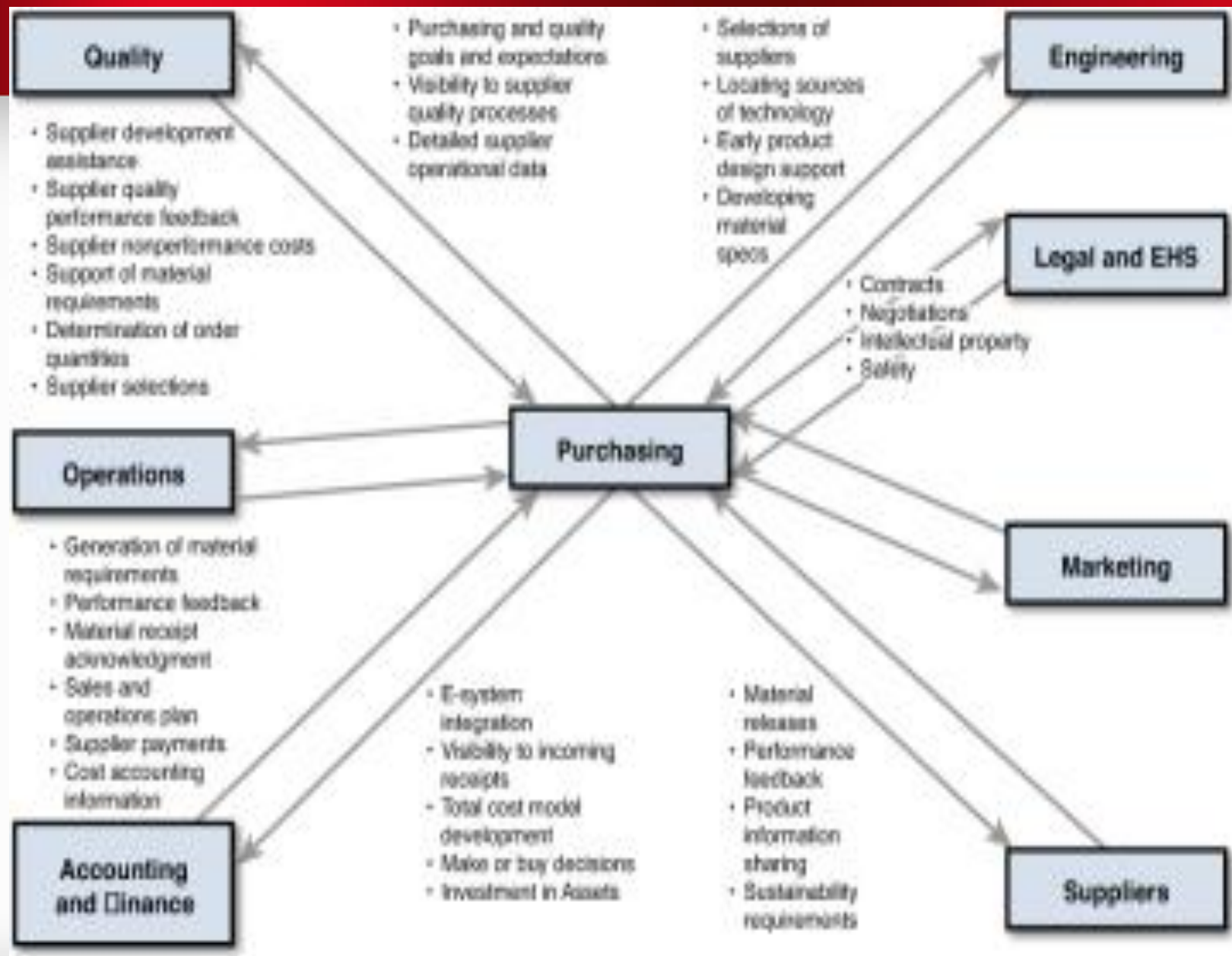
- **Procurement and supply** management involves buying the goods and services that enable an organisation to operate.
- **Supplier** relationship **management** (SRM) is the discipline of strategically planning for, and **managing**, all interactions with third party organisations that **supply** goods and/or services to an organisation in order to maximise the value of those interactions.
- A **Procurement Management** Process, or **Procurement** Process, is a method by which items are purchased from external suppliers. The **procurement management** process involves **managing** the ordering, receipt, review and approval of items from suppliers

Purchasing Management

Outcomes:

- Understand the role of purchasing
- Understand strategic impact of purchasing on competitive advantage
- Understand sourcing decisions
- Understand factors impacting supplier selection
- Describe global sourcing
- Understand ethical and sustainable sourcing





Sourcing Decisions: Make-or-Buy

Reasons for Buying

- Cost advantage
- Insufficient capacity
- Lack of expertise
- quality

Reasons for Making

- Protect proprietary technology
- No competent supplier
- Better quality control
- Use existing idle capacity
- Control over lead time, transportation and warehousing costs
- Lower cost



Supplier Selection factors

- Process and product technologies
- Willingness to share technologies and information
- Quality
- Cost
- Reliability
- Order system and cycle time
- Capacity
- Communication capability
- Location
- Service



How many suppliers to use

- Reasons favouring a Single Supplier

- Establish a good relationship
- Less quality variability
- Lower cost
- Transportation economies
- Proprietary product or process purchase
- Volume too small

- Reasons favouring Multiple Suppliers

- Need capacity
- Spread the risk of supply interruption
- Create competition
- Information
- Dealing with special kinds of businesses



Supplier Accreditation

- **Approved suppliers** – met the requirements of the supplier selection process
- **Preferred suppliers** – shown that past performance consistently meets and exceeds required levels for criteria such as quality, cost reduction, delivery, service
- **Certified suppliers** – that have been accredited through an in-depth assessment and revolving around quality management systems and continuous improvement



Purchasing Organisation

Centralisation vs Decentralisation

Centralised

Single purchasing department makes all purchasing decisions

Advantages:

- Concentrated volume
- Avoid duplication
- Specialisation
- Lower transportation costs
- Common supply base

Decentralised

Local purchasing departments at plant level make their own purchasing decisions

Advantages:

- Better knowledge of requirements
- Local sourcing
- Less bureaucracy

Paradigm shift in buyer-supplier relationship

Traditional relationship

- Price determines supplier selection
- Short-term contracts/relations with suppliers
- Many suppliers
- Little/no sharing of information
- Competitive negotiations

Strategic Alliance

- Multiple criteria for supplier selection
- Total cost focus
- Few suppliers
- Share information, risks and gains
- Open book to partners

Developing supplier relationships

- Building trust
- Shared vision and objectives
- Personal relationships
- Mutual benefits and needs
- Commitment and top management support
- Change management
- Information sharing and lines of communication
- Relationship capabilities
- Performance metrics (*You can't improve what you can't measure*)

Ethical and sustainable sourcing

- **Ethical sourcing:**
 - sourcing that takes into account the public consequences of organisational buying
 - bringing about positive social change through organisational buying behaviour
- **Sustainable sourcing**

a process of purchasing goods and services that takes into account the long term impact on people, profit and the planet



In conclusion

- The fundamental aim of the supply chain management (SCM) approach is to form alliances or partnerships with suppliers in a quest to limit costs, duplication and waste.
- The SCM approach further aims to find innovative methods to deliver raw materials or services to the organisation, with the end goal of producing and delivering the final quality product/service to the final customer.

In conclusion

- In this supply chain approach, the purchasing function plays an important role, linking the internal and external supply chains.
- In an SCM context, the role of the purchasing function has changed from a pure support function to a strategic, value-adding tool in business (supply function)

In conclusion

- Supply management is a progressive approach to managing the supply base, whereby suppliers of strategic products or services are regarded as extensions of the buying organisation and are involved at a strategic level in a long-term relationship or strategic alliance (partnership)

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Thank you



