# ASSIGNMENTS 1

1. **Describe how purchasing become aware of purchase requirements.**

I would like to elaborate a bit more and give you an insight of the steps to be followed within my organization in order to start with purchasing process. My organization is a not-for-profit organization and its purchasing function integrated with the overall organizational strategy and valued by stakeholders. Purchasing is the source of acquiring, administering and managing the needed goods/services required by the organization to implement its internal and external objectives, to deliver on its mandate. The function is supportive in nomenclature and targets achieving best value for money, to create value. For instance, the organization roads and bridges projects cannot be successfully implemented without collaborative planning and cooperation between its engineering and purchasing functions. The involvement and valuable contributions of purchasing is required to ensure material needs are availed when, where and in the quantities needed, to successfully implement the projects.

Now answer to the question is that; purchasing become aware of purchase requirements is when:

* The fund to procure the goods is made available.
* The needed goods/materials with clear and precise specifications are identified.
* And then requirements are given to the purchaser.
* Purchasing officer documenting product requirements and identifying the potential sources.
* And follow the established procedures to complete the buying process.

1. **Describe the challenges organizations face as they attempt to integrate organizational activities into the supply chain?**

The challenges organizations face as they attempt to integrate organizational activities in the supply chain are: the integration of business, technology, people and customers.

**Elaboration.**

The future of supply chain needs to be planned for. Key challenges and opportunities that are expected for supply chain professionals include: realizing cost savings, rationalizing supply base, improving supply chain risk prediction and management, providing high level strategic foresight, collaboration and innovation with suppliers. Supply chain operations will depend on improvements in these areas and utilizing new technologies will be required to keep pace with supply chain leaders.

Supply disruptions are a common nightmare for any industry that relies on products and raw materials. Missing or delayed shipments, rising prices, and unexpected import tariffs can be enormously costly to a business with a tight operating budget. While you can’t foresee when something catastrophic will happen, you can prepare for future disruptions well in advance. Today’s technology allows you to accurately foresee and minimize supply chain threats.

Here are some powerful ways to minimize disruptions and future-proof your supply chain.

1. End-to-End Digital Integration

Modern technology connects every link in the chain, from the clerk on the sales floor to the supplier filling orders for delivery. The future of supply chain will depend more and more on modern technology to free up staff time for more value added tasks.

The ability to collect data from suppliers, distributors, and end-point distribution to a single dashboard offers visibility and better control of the entire process. Predictive analysis based on aggregated data from raw material procurement, logistics, and customer fulfillment is remarkably insightful.

In recent years, hurricanes, floods, and other natural disasters have disrupted supply chains all over the country, making roads impassable and areas inaccessible. Changing tariffs present new challenges to 8manufacturers, and compliance regulations and social responsibility commitments can complicate inventory sourcing. With an integrated system, shipments are tracked in real time, allowing businesses to respond as events are happening, without delay.

Investing in integrated technology simplifies all stages of supply chain management and offers the transparency and insight to improve processes and inform decision making.

1. Build Sustainable Supplier Relationships

Future-proofing the supply chain requires fostering supplier relationships based on trust and mutual benefit. Business reputations hang on product availability, which depends on suppliers. Identifying the suppliers best suited to your operation is a function of data analysis. Designate the suppliers who consistently deliver the goods – quality materials, on time, and for a competitive price.

With an integrated system, businesses can closely monitor suppliers for incidents that could signify unexpected changes and respond before a pattern forms and 2business is affected. Primary and secondary suppliers can be evaluated as the relationships evolve and buying decisions can be adjusted based on performance metrics and benchmarks.

By establishing and maintaining strong long-term relationships with preferred suppliers, your business positions itself as a preferred customer.

1. **Discuss the key enablers of excellence in purchasing and supply chain management.**

The key enablers of excellence in purchasing and supply chain are: Supplier Relationship Management; Total Cost Analysis; Purchasing Strategies; Supplier Analysis and competitive market analysis. Following are the details along with reference:

**Supply Chain key Enablers** – These are the drivers that deliver supply chain outcomes (Marien 2000). Supply chain enablers are therefore defined as, the underlying factors that influence firm performance.

**Information Technology Capabilities** – The capability to exchange data in a timely fashion, responsive and usable format (Bowersox, Closs, and Stank 1999).

Supply Chain Capabilities – Tangible and intangible assets that are firm specific and created over time through complex interactions among resources (Chang 1995) defined capability as ‘a team of resources to perform some tasks or activities.

**Supply Chain Integration** – It is the capability of entire supply chain to create manufacturing processes and logistics functions seamlessly across the supply chain as an effective competitive weapon that cannot be easily duplicated by competitors

**Supply Chain Strategy** – Supply chain strategy is defined as, the pattern of decisions related to suppliers and customers regarding products sourcing, planning capacity, conversion of finished product, deployment of finished product, demand management and communication, and delivery. Also, Supply chain strategy is primarily the art of positioning a company in the right place on the value chain; the right business, the right segments, the right products and market segments, and the right value-adding activities.

**Competitive Advantage** – Described by Porter (1985) as the value a firm can create for buyers that exceeds the firm’s cost of creating it. the significance of firm capabilities as sources of sustained competitive advantage and firm performance are related. The central thrust of resource-based view is that the more firm-specific resources a firm has, the more valuable it is. Then, these valuable resources will create a sustainable competitive advantage for a firm that will later lead to a better performance.

**Figure 1**:

**SUPPLY CHAIN ENABLERS**

* IT Capabilities
* Supply Chain Capabilities
* Supply Chain Integration
* Supply Chain Strategy

**FIRM PERFORMANCE**

**COMPETATIVE**

**ADVANTAGE**

The conceptual schema presented in Figure 1 indicating the relationships among supply chain enablers, competitive advantage, and firm performance.

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1. **What is the difference between a supply chain and a value chain?**

The difference between supply chain and a value chain is that: Supply chain is the process of all parties involved in fulfilling a customer request, while value chain is a set of interrelated activities a company uses to create a competitive advantage.

1. **Elaborate the functions to be performed in a public warehouse.**

A public warehouse performs functions of providing storage services to the general public mainly for goods in transit from manufacturers; wholesalers; exporters; importers; government; transport businesses; customs etc… It’s usually a large plain building located in industrial areas of cities, towns and villages. It usually has loading-docks to load and unload goods from trucks.

Sometimes public warehouse is designed for loading and unloading of goods directly from railways, airports, or seaports. They often have Material Handling equipment (MHE) like cranes, and forklifts for moving goods, which are usually placed on pallets loaded into pallet racks. Stored goods can include any raw materials, packing materials, spare parts, components or finished goods with agriculture, manufacturing and production.

1. **Describe about ―cross-docking and its importance.**

Cross-docking is the practice use in logistics to off-load goods from inbound delivery goods and load them directly onto outbound trucks/trailers. By eliminating or minimizing warehouse storage costs, space requirements and inventory handling, cross-docking can streamline [supply chains](https://whatis.techtarget.com/definition/supply-chain) and help them move goods to market faster and more efficiently.

Cross-docking is of great importance in some ways. It helps in sorting the products before they are loaded into the shipping tractors. It helps in time consumption in sorting of products to individual and multiple customers. It removes the chances of handling and damaging of products before they reach to customers. It helps manufacturing companies to save money through the utilization of cross-docking and the cost of hiring manpower to handle inbound and outbound shipments.

1. **Discuss activity profiling in a warehouse**

Activity Profiling in a Warehouse is taking into account the following:

* The careful measurement and statistical analysis of the warehouse activity.
* The process of understanding the customer order that drive the system.
* Sifting through historical data for data for opportunities and insights that might confer advantage.

1. **Describe the various storage systems used in a warehouse for different applications.**

A warehouse storage system is also called a warehouse management system because it refers to storage equipment that are used to help businesses easily manage their warehouse and keep the workers as well as the products and items inside the warehouse safe.

**Pallet Racking-** For the busiest and largest warehouses, pallet racking systems are usually treated as the centerpiece of the operation. Typically, pallet racking systems are made from wood, metal, or plastic and hold inventory that is received in large boxes. Depending on the height, the boxes are placed on the pallet racking system with the help of a forklift or an automated mechanism.

**Multi-Tier Racking-** A great choice for large stocks of items that have small unit sizes, multi-tier racking is a system that is designed to capitalize on vertical space. Because no warehouse is one-size-fits-all, many multi-tier racking options are flexible, with the ability to add or remove tiers depending on your current needs.

**Static Shelving-** As the name suggests, static shelves are storage mechanisms that are designed to stay in one place. For the most part, they are meant to hold inventory that is lightweight. It’s commonly used for storing inventory that needs continuous replenishment. Because they’re not compatible with forklifts, static shelving is generally used with inventory that must be manually picked, placed, and/or organized.

**Mobile Shelving-** Like static shelving, mobile shelving is a completely adjustable solution that is meant to hold your manually-picked items, but the difference here is that many of these systems are designed to hold more items in less space. With mobile shelving, shelves or cabinets are mounted on carriage and rail systems, eliminating fixed aisles and increasing productivity by making inventory more accessible, even when space is tight.

**Mezzanine Flooring -** If you have the budget and your strategic warehouse layout allows for it, mezzanine flooring is an effective and space-saving storage option. Essentially, mezzanine flooring is a second (or third, or fourth) floor that is constructed above the main warehouse floor. Because of the intrusive nature of the build, this is likely one of the more expensive options that a warehouse can choose, but it also has the most potential for customized features, such as lighting, lift-systems, and conveyors.

**Wire Partitions**

While mezzanine flooring is one of the more high-tech options, wire partitions are on the other end of the spectrum. Wire partitions are, effectively, strategically-placed wire cages that are meant to be installed and torn down quickly and easily. Often, the inventory that is housed within wire partitions are the items that may need special security. Some warehouses are even known to use wire partitions to construct makeshift, temporary offices for managers who work on the floor.

1. **Describe briefly about the qualitative factor rating method for the selection of location of a warehouse.**

It is most widely used analytical technique. it is most popular technique because a wide variety of factor can be included in the analysis. It is useful for service and industrial location. In this method to merge quantitative and qualitative factors, factors are assigned weights based on relative importance and weight age score for each site using a preference matrix is calculated. The site with the highest weighted score is selected as the best choice.

* Steps of Factor Rating Method
* List relevant factors.
* Assign importance weight to each factor.
* Develop scale for each factor (0-1, etc.)
* Score each location using factor scale.
* Multiply scores by weights for each factor & total.
* Select location with maximum total score.

1. **What are the risks associated with backdoor (maverick) purchasing as opposed to open tendering most common in public procurements?**

**backdoor (maverick) purchasing -**This is when an employee decides to procure products both outside of the company purchasing department and using a non-preferred vendor to supply the product. This is the worst-case scenario, an expensive deviation from standard practices.

* The risks associated with backdoor buying and selling may be seen follows:

a) buying goods and services from a new supplier that is not currently approved to supply products and services to the organization,

b) purchasing the goods that are at way higher prices than normal,

c)paying unnecessary fees during transaction for example in the army where using the government purchase card requires buying from suppliers that do not charge taxes,

d) purchasing goods and services that do not meet the end user requirements and,

e) wrong delivery times and quantity,

f) delivery of material at wrong place or at wrong time. Purchasing is interested in controlling this business practice because it undermines the role of the purchasing function and the authority it has.

g) Maverick buying may also cost organization money through unforeseen charges that were never negotiated because there was no prior contract with the supplier.

h) Another risk with maverick buying is that the expenditure on maverick buying is more likely to weaken the ability of an organization to negotiate a comfortable price and services with the suppliers

1. Discuss the advantages of electronically transactions between a buyer and seller.

* Electronic commerce, or e-commerce, is the buying and selling of goods and services on the Internet. Other than buying and selling, many people use Internet as a source of information to compare prices or look at the latest products on offer before making a purchase online or at a traditional store
* Reduced transaction costs for participating exchange in a market.

• Increased comfort - transactions can be made 24 hours a day, without requiring the physical interaction with the business organization. Time saving- Customer can buy or sell any product at any time with the help of internet.

• Quick and continuous access to information Customer will have easier to access information check on different websites at the click of a button.

• Convenience-All the purchases and sales can be performed from the comfort sitting a home or working place or from the place a customer wants to.

• Switch to others companies-Customer can easily change the company at any time if the service of a company is not satisfactory.

• Customer can buy a product which is not available in the local or national market, which gives customer a wider range of access to product than before.

• A customer can put review comments about a product and can see what others are buying or see the review comments of other customers before making a final buy

1. Describe the challenges involved in implementing e-procurement systems?

* Electronic procurement (e-procurement), which implies the automation of an organization’s procurement of goods and services through web-based applications, has been noted for its potentials to rationalize organizational expenditure, reduce administrative costs, and stimulate efficiency in operations.

The challenges can be summarized as follows;

* Lack of benchmarkable reference models especially in new firms that are just beginning to learn of these systems’ functionalities and uses in their organizations. Certain factors contributing to challenges in the implementation of e-procurement such as technology, infrastructure and legislation, environment; besides resource constraints and organizational and management characteristics. External factors from the industry, market, government and technology changes are beyond the control of organizations. However, these barriers can be minimized and even completely mitigated. Technology barrier to the suppliers includes understanding and commitment to a specialist software and the startup fee that are beyond the capabilities of SMEs required by the vendors. Focus of support for the systems are more on the larger companies. The usefulness and security issues of the system are major concerns for potential adopters. Wide-spread use of e-procurement system also depends on the availability of supporting infrastructures such as sufficient broadband coverage.
* Inadequacies in government policies and legislation are areas to be highlighted in the system. The standard procedure for governmental tendering process which mandates the buying of printed tender documents in offices by interested parties is a good example. This prohibits the use of e-tendering system and presents a huge setback for the government attempt to establish and electronic government system.
* Lack of standard in the development of E-procurement system results in users of one system cannot communicate electronically with users of other system, creating a diverse but fragmented E-procurement environment.

1. Why is it important to measure and monitor supplier performance improvement over time?

Supplier performance management (SPM) is a business practice that is used to measure, analyze, and manage the supplier’s performance in an effort to cut costs, alleviate risks, and drive continuous improvement. The ultimate intent is to identify potential issues and their root causes so that they can be resolved to everyone’s benefit as early as possible.

**Why is it important?**

Avoid supply chain risk and disruptions – If you are not deeply familiar with the third-party vendors making up your supply chain, it will be difficult to put measures in place to prevent interruptions and reduce the incidence of risk exposure. Supplier performance management provides in-depth visibility into the risk a supplier may pose so you can put measures in place to reduce or eliminate that risk as it relates to your supply chain.

Protect and improve brand/reputation – A number of corporate brands have been tarnished by the actions of their suppliers – think automobile recalls as a common example. SPM can help you track supplier performance against these KPIs which will enable you to enact corrective actions early and keep your brand and reputation strong in the eyes of your customers and partners.

Avoid costs and achieve savings – There are a variety of cost factors tracked using supplier performance management which affect both hard and soft dollar costs. Lack of timely and accurate vendor information can have huge impact on costs and can prevent you from capturing savings. Not only can you track supplier performance on cost and savings-related KPIs, the information provided by an SPM system can contribute to cost avoidance and savings achievements because it centralizes supplier data into a single source of truth for everyone interacting with vendors.

Segment and rank vendors – As noted in the point above, supplier performance management is useful beyond the supplier managers in your organization. For example, SPM gives procurement groups visibility into specific groups of suppliers and their overall ability to meet your organizations expectations and requirements. With performance data in hand, procurement can make data-based decisions regarding where to direct spend.

Collaborate with suppliers – When you collaborate closely with suppliers you create new value for your business. The data collected through a supplier performance management solution can help to start these conversations because it provides the supplier with a view of what is important to your organization. The results are numerous: continuous improvement of the supply base, creation of realistic contracts based on past performance, more communication with suppliers, formation of common goals, and the establishment of trust. Ultimately, SPM drives the creation of meaningful and mutually beneficial relationships with suppliers.

Improve internal processes – Creating a SPM process is a great step towards optimizing your supplier management program. By utilizing a technology-based solution for SPM, organizations can achieve a standardized and automated approach for creating scorecards, issuing and tracking scorecards for completion, and in-depth reporting and analysis. If you tack this onto an existing supplier information management (registration, onboarding, qualification) process, SPM data will contribute to a complete supplier management lifecycle.