**COURSE : CERTIFICATE IN PROCUREMENT AND SUPPLY CHAIN MANAGEMENT**

**COURSE CODE: C009**

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**ASSIGNMENT: ONE**

1.Purchase refers to the activity of acquiring goods or services to accomplish the goals of an organization.The major objectives of purchasing are to maintain the quality and value of a company's products, minimize cash tied-up in inventory, maintain the flow of inputs to maintain the flow of outputs, and strengthen the organization's competitive position. Purchasing may also involve development and review of the product specifications, receipt and processing of requisitions, advertising for bids, bid evaluation, award of supply contracts, inspection of good received, and their appropriate storage and release.

Purchasing is the organized acquisition of goods and services on behalf of the buying entity. Purchasing activities are needed to ensure that needed items are obtained in a timely manner and at a reasonable [cost](https://www.accountingtools.com/articles/2017/5/4/cost). A purchasing department is especially necessary in a manufacturing business, where large amounts of [raw materials](https://www.accountingtools.com/articles/2017/5/13/raw-materials-inventory) and components must be obtained on a recurring basis. This department is also important in an organization to help in the purchase of items for the smooth implementation of the peroject.

The purchasing department's primary goals are as follows:

* To locate [suppliers](https://www.accountingtools.com/articles/2017/5/16/supplier) that can provide goods and services in accordance with the projects’ requirements.
* To buy items that meet the quality specifications of the organization.
* To create a stream of deliveries into the buyer's premises that minimize the raw materials inventory investment while still ensuring that goods are available as needed.

Common purchasing activities are as follows:

* Receive and verify [purchase requisitions](https://www.accountingtools.com/articles/2017/5/16/purchase-requisition) from around the company.
* Search for qualified suppliers that can fulfill the buyer's needs.
* Prepare and issue request for proposal (RFP) documents to qualified suppliers.
* Evaluate supplier responses to RFPs, select a winner, and negotiate a contract.
* Issue [purchase orders](https://www.accountingtools.com/articles/2017/5/14/purchase-order) to suppliers that authorize purchases. A master purchase order may be issued when there are a number of deliveries contemplated under a purchasing arrangement.
* Administer contracts that have a longer duration.
* Review open purchase orders to see if any should be closed.

There is a tendency for the purchasing function to be bogged down in paperwork, which is related to the excessive use of bidding procedures and the issuance of purchase orders. The function can be streamlined by replacing bidding with sole source arrangements for most purchases. Also, lower-cost purchases are now made with [procurement cards](https://www.accountingtools.com/articles/2017/5/14/procurement-card), thereby avoiding the use of purchase orders.

The purchasing department may operate a freestanding purchasing software package, though the system is more effective if integrated into the software of the receiving and [accounts payable](https://www.accountingtools.com/articles/2017/5/5/accounts-payable) functions  
Business' can use purchasing as a type of competitive strategy as a way to get ahead of the competition by buying any resources it can not manufacture itself..

In summary therefore, Purchase is normaly used by the business entities.

**Procurement**  
The act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment. It often involves  
(1) purchase planning,  
(2) standards determination,  
(3) specifications development,  
(4) supplier research and selection,  
(5) value analysis,  
(6) financing,  
(7) price negotiation,  
(8) making the purchase,  
(9) supply contract administration,  
(10) inventory control and stores, and  
(11) disposals and other related functions.  
The process of procurement is often part of a company's strategy because the ability to purchase certain materials will determine if operations will continue.  
  
Procurement and supply management involves buying the goods and services that enable an organisation to operate in a profitable and ethical manner.  
Responsibilities vary from sourcing raw materials and services to managing contracts and relationships with suppliers.

Procurement is often responsible for up to 70% of companies' revenue, so small reductions in costs can have a huge impact on profits.Organisations can spend more than two thirds of revenue on procurement, so even small cost reductions can have a big impact.You need to demonstrate a variety of skills, including good business sense, financial management, and a flair for communication and negotiation.Top buyers are in huge demand around the world and can achieve extremely high positions within companies.

Procurement is aimed at managing the supplier base and maintaining long term relationships with suppliers. Primarily, *a* procurement process ensures that the company's purchasing is competitive, fair, and provides the best possible prices available in the [market](http://www.investinganswers.com/node/3609).   Because of the efficiencies gained through a formal procurement process, procurement is an important systems component in a company's overall management structure.  Some problems on a company's [cash flow](http://www.investinganswers.com/node/1175) and [balance sheet](http://www.investinganswers.com/node/1083) can be traced to problems with procurement, including holding supplies and [inventory](http://www.investinganswers.com/node/2474) too long and having the [terms](http://www.investinganswers.com/node/5890) of payables for supplies not matched to their respective [receivables](http://www.investinganswers.com/node/5111).

2. Top managers are recognizing the importance of purchasing/supply management because of the following factors

**Increases value and savings**,

Most organizations are focused on three strategic pillars: increasing revenue, operational efficiency and retaining talent. I would say that procurement is already aligned to these pillars. Where they tend to be less aligned is with the strategy of internal departments. However, what I think that procurement professionals should focus on is better promoting how they align with these areas. Value and savings in an organization or a company is increased through the following ways:

## ****Revenue Generation****

We typically think of sales teams with this pillar, but should procurement have a seat at the table? There are many ways that procurement teams support the sales teams and revenue generation by negotiating great rates on what sales teams need to be successful in their roles. For example, by negotiating the best programs for travel services, such as car rental and travel management, procurement can help ensure that sales representatives can get to their meetings without issue, while saving the company money on travel expenses.

Not only can their expert negotiation skills and eye for the venues offering the best value be useful the next time the company is planning a sales event, the procurement team can help ensure, via the contract, that risk is mitigated so that the event goes off without issue.

## ****Operational Efficiency****

This is likely the area where procurement is seen as best aligned. Continuing to be a steward of cost effectiveness, risk mitigation and lean methodologies is essential. Most business units would love to utilize these skill sets, but many don’t think of procurement when the need arises.

There are two main ways to solve this. First is a wide-scale marketing effort to promote the procurement department to the company. A quarterly email “selling” their services and sharing a few internal testimonials can remind everyone of procurement’s capabilities. The second method of internally promoting procurement’s expertise in this area is simply for procurement to make friends in other departments and be good listeners. Few people would turn down help from procurement if their skill sets align well with the challenge.

## ****Retaining Top Talent****

Procurement can aid in retaining top talent by ensuring that the company is using best-in-class suppliers for employee experience. Whether it’s the relocation provider when the employee first joins, the benefits employees receive, or the staffing companies that help managers fill openings on their team, having a strategic agreement with top suppliers will go a long way when it comes to attracting and retaining talent.

**Helps build relationships**

There are a number of groups that stand to provide procurement with greater strategic value and vice versa including, Business Owners & End Users, Finance, and Vendors. Forming strong relationships between procurement and key groups both inside and outside the organization can not only help shorten any learning curve the procurement may have, but also provide the direction the department may need and allow procurement to serve as a strategic resource.

The realtionship is normally built among the various actors by each factor performing a specific role and using procurement to understand what role each has to perform that contributes towards the development of the company. Each actor has a specific role as follows.

Business owners uses procurement to learn which question to ask during business, meet needs and expectations of the business and gain an understanding of how each department fits into the success of the company.

Vendors use procurement to build relationship since it helps them to learn from the supply base which they work, assess vendor reps who can bring into subjec matter experts and gather objectives learning that apply across the supply base.

Finance ensures accurate budget and projections, be ware of upcoming projects and stay updated on changes in busness conditions that could affect current contracts

rives innovation,

Improves quality and reputation,

Reduces time to market,

Generates economic impact, and

Contributes to competitive advantage.

# 3. Importance of Purchasing & Supply Management

**Ensures the availability of good in the right place at the right time**

In order for a product to go from the manufacturing stage and into the hands of a consumer, it must follow a long journey guided by purchasing and supply management professionals who make important decisions regarding cost, quality and scheduling. These decisions can affect whether or not someone will buy a company’s product, and also make a big impact on the company’s revenue and sales. What would happen if Valentine’s Day chocolates were not available until September? Purchasing and supply management professionals focus on ensuring the right products are available at the right time and right place for their consumers.

**Reducing Costs and Improving Savings**

Purchasing has a direct impact on two of the most important factors that drive a company’s bottom line: cost and sales. Through initiating process improvements, product improvements and supplier relationship development, purchasing professionals are responsible for garnering cost savings for their organizations without trading off quality. On average, the cost of materials is two and a half times the value of all labor and payroll costs. As a result, companies see great value in purchasing and supply management professionals who are able to increase their savings and improve their costs.

### Negotiating Successful Contracts

Directly related to procuring cost savings, purchasing and supply management professionals are tasked with negotiating terms with suppliers that benefit both parties. This important aspect not only affects revenue and sales, but also the relationship between the organization and the supplier. Strong negotiation skills and the ability to foresee long-term business relationships are two aspects successful purchasing and supply management professionals rely on. In addition to managing costs, fruitful contracts focus on the quality of the materials in addition to how and when they will be delivered. Time is a key factor of successful deals as the materials need to be available on schedule.

### Developing Long-Lasting Supplier Relationships

Making one-off purchases is unusual and costly. Companies typically require supplies on an ongoing basis, and as a result, it’s important to develop enduring relationships with suppliers. This aspect of purchasing and supply management can add tremendous value to a business. By working with the supplier on a long-term basis, purchasing and supply management professionals can garner higher cost savings, increase competitive advantage and fine-tune schedules. Long-term relationships benefit both the purchaser and supplier and builds a level of trust, enabling both parties to succeed.

### Mitigating Risk

Understanding the potential risks and developing innovative strategies to manage them is an important aspect of purchasing and supply management. Having a strong risk mitigation strategy can greatly affect an organization’s bottom line. Potential risks include fraud and transparency, intellectual property and counterfeit materials. In addition, purchasing and supply management professionals need to have a plan in place if supplies are delayed or the schedule changes.

4. Organizational purchasers should not behave like enterprenours since there are some personalities and skills that each category has to possess and they are as discussed below

The purchaser has to have he following skills

* Good analytical skills.
* Creativity.
* The ability to recognise future trends.
* Excellent commercial awareness.
* Communication skills.
* Confidence and presentation skills.
* Ability to make decisions under pressure.
* Negotiation skills.

Owning a business isn't for everyone. The stress and hard work that come with it makes many people unwilling to dive in.

It takes a special kind of person to be an entrepreneur - to come up with an idea and put that idea into action. But not all ideas work out. In fact, the Bureau of Labor Statistics finds that 50% of small businesses fail within the first four years. Not a big vote of confidence for quitting your job and becoming an entrepreneur.

But entrepreneurs don't see the risk: they see the reward. As an entrepreneur, he/she knows how to put the time and effort in to make a dream a reality.

If you want to be an entrepreneur, you need to have the right personality and the right attitude. Here are 10 essential characteristics to be successful as an entrepreneur:

## 1. Creative

Entrepreneurship starts with an idea. To be successful, you need to always be thinking of new ideas and better ways of doing things.

In an interview in Martyn Lewis's book "Reflections on Success," Virgin Airlines founder Richard Branson said, "I've gone into business, not to make money, but because I think I can do it better than it's been done elsewhere. And, quite often, just out of personal frustration about the way it's been done by other people."

Entrepreneurs are not satisfied with the status quo. They think outside the box and look for opportunities to come up with new solutions.

## 2. Passionate

Perhaps the most important characteristic for entrepreneurs, passion is essential to any business owner or working professional's success. Without passion, there is no reason for your work and no drive to do it.

Entrepreneurs love what they do and are extremely dedicated to the businesses they create. To be successful, you must be confident in yourself and your business, and you must be proactive with what you do and how you do it.

## 3. Motivated

In an interview with The Computerworld Smithsonian Awards Program, the late Apple founder Steve Jobs said, "I'm convinced that about half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance."

Because of their passion for their ideas, entrepreneurs are willing to put in the long hours and hard work required to launch and run a successful new business. Are you self-motivated? Entrepreneurs are their own boss, which means there's no one telling them to do things. You must be in charge of your own time and how you spend it.

## 4. Optimistic

Do you see the glass half empty or half full? For entrepreneurs, it's always half full. Entrepreneurs always look on the bright side and are constant dreamers. They look at how they can do things better and make the world a better place. They never dwell on the past or the negative. Instead, they focus on moving forward and moving up.

When they're confronted with challenges, entrepreneurs don't see them as problems; they see them as opportunities. Challenges fuel entrepreneurs and make them reach higher and do more.

## 5. Future-oriented

Because entrepreneurs are focused on moving forward, they are always looking toward the future. Entrepreneurs are very goal-oriented and know exactly what they want. They set their goals and everything they do is aimed at achieving those goals.

Having a strong vision helps propel you toward accomplishment. Consider setting a goal for yourself - a north star that can guide you on your path to success.

## 6. Persuasive

To be successful in business, you have to know business. If you're a people person and know how to get people to listen to you, you could be a successful entrepreneur.

Especially when first starting out, entrepreneurs need to gain buy-in from those around them on their big idea. If it's an out-of-the-box idea, which it usually is, many people will be skeptical before giving their support or investing any money. That's why entrepreneurs need to use their persuasiveness to sell themselves and their ideas.

## 7. Flexible

According to professional development coach Ruchira Agrawal in an article for Monster, "As an entrepreneur, you'll typically start out as a 'solopreneur,' meaning you will be on your own for a while. You may not have the luxury of hiring a support staff initially. Therefore, you will end up wearing several different hats, including secretary,bookkeeper and so on."

Entrepreneurs know how to adapt to unfamiliar situations. If their business requires that they learn how to build a website or send an invoice, they'll do it. Whatever it takes, entrepreneurs are ready and willing. They always approach things with an open mind and are willing to change course if they need to.

## 8. Resourceful

In business, problems aren't a matter of if, but when. Entrepreneurs do not shy away from challenges or conflicts. Instead, they face them head on and come up with a solution. They know how to solve problems effectively.

Entrepreneurs also know how to make the most of what they have. Time, money and effort are never used haphazardly. Everything has a plan and a purpose.

## 9. Adventurous

In an interview with Y Combinator president Sam Altman, Facebook founder Mark Zuckerberg said, "In a world that's changing so quickly, the biggest risk you can take is not taking any risk."

Entrepreneurs know that to be successful, they must be willing to take risks. While they don't mind walking on the wild side, they don't take risks lightly. They know how to plan for the unknown and make a calculated decision that is best for them and their business.

## 10. Decisive

There is no room for procrastination in business. Entrepreneurs know what needs to bed one and don't hesitate to make the decisions that will lead them to success. They don't let opportunities pass them by; instead, they seize the day and get the job done.

5 . Elite procurement professionals seemingly possess a Swiss Army knife of diverse skills to excel in their job. It's a position that requires a keen understanding of several angles of the production process to know what goals to set, as well as the goals business partners will need met. It commands fighting through constraints to find sweet spots, appropriate tradeoffs and accurate calculations of the unknown.

If this is the life you've chosen or if you've been saddled with finding a candidate for this position in your company, here is the "Most Wanted Skills List" for the most dangerously good [purchasing](https://www.omniapartners.com/blog/what-is-a-group-purchasing-organization) managers in the world:

### 1. Detail Orientated

To thrive as a [procurement professional](https://www.omniapartners.com/blog/the-easiest-way-to-expand-your-procurement-network), you don't have to just be detail oriented; you have to be able to spot the minutest of details in the details. Every cent, every atom of material change, every passing second, can be the difference between a product becoming a smashing success or an all-out disaster.

### 2. Time Management

The ability to prioritize and to ten-hut to the activities that will give your company the biggest [bang for its buck](https://www.omniapartners.com/blog/how-group-purchasing-organizations-gpos-save-time-money) is critical to prospering in purchasing. Nothing is more detrimental to future success than doing things in a particular manner because "they've always been done that way."

### 3. Judgment and Decision Making

Good judgment is about never acting on a whim or being jet-propelled by emotion. The best purchasing professionals are pragmatic and assess their decisions by the process and not by the randomness of events.

### 4. Persistence

The purchasing role knows all too well that the first answer or offer you receive is almost always quite short of ideal, and often times bordering on impossible. It's up to you to keep attacking the problem from every which angle until you find a path to a result that will fall in line with your production goals.

### 5. Flexibility and Adaptability

Any adjustments in product design or fluctuations in markets can have an instant ripple effect throughout your operations. How well you roll with these unexpected guests will determine if your department itself stays on a roll.

### 6. Relationship Building

Relationships can be a double-edged sword. Your ability to build and nurture relationships is essential to getting the best situation and fulfilling your needs. However, the mere existence of a long-term and comfortable connection is not enough to justify it in perpetuity. Relationships should be regularly reviewed to ensure familiarity and attachment isn't causing you to get taken advantage of.

### 7. Communication and Active Listening

You may have cracked the code and pinpointed the perfect scenario for mutual benefit, but if you cannot effectively articulate this information with who you are collaborating with, your discovery might as well not exist. And if you aren't being receptive to the cues that the other person is shining back at you, then what you're offering needs to be taken back to the shop to be revised before even attempting to express it.

### 8. Negotiation

Every great purchasing manager knows how to accurately assess what the other guy or gal value and how to tie that reward to a desired outcome. The best negotiators are not only persuasive, but are gifted at creating the perception of scarcity and win-win even when reality suggests their presence is unclear.

### 9. Creativity and Problem Solving

There is no book or perfect formula to procurement perfection. Every situation is unique; every circumstance will contain a different mix of constraints, personalities and markets. Your ability to take these ingredients and bake the best strategy cake available will rely on how well you are able to tap into the creative cookbook of your mind.

### 10. Passion

Like anything else in life, if you don't have an unrelenting gusto for it, you cannot be elite. Others with that level of vigor will lap you into the mean or below. But if you do have that fire inside for purchasing, along with some of the above traits, then you will have what it takes to be someone who people look up to as a gold standard in your field.

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