The Executive's Guide to Supply Management Strategies

Building Supply Chain Thinking Into All Business Processes

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American Management Association
New York • Atlanta • Boston • Chicago • Kansas City • San Francisco • Washington, D.C.
Brussels • Mexico City • Tokyo • Toronto
Supplies Problem

Let's stop "administering the process."
The Functional Department

The Functional Department supports the core operations of the business by providing essential services and resources. This includes procurement, logistics, and asset management. The department is responsible for:

- Ensuring the timely and efficient delivery of goods and services to support business operations.
- Managing vendor relationships and contracts to ensure cost-effective acquisitions.
- Coordinating the distribution of goods and services across the organization.
- Monitoring inventory levels to maintain optimal stock levels.
- Controlling procurement and budget spending to align with company goals.

Business Goals

- Increase operational efficiency through streamlined processes.
- Enhance customer satisfaction by delivering high-quality goods and services.
- Reduce costs through effective procurement strategies.
- Improve asset utilization and management.

Every centralized function for purchasing

How do you handle the new procurement process?

The采购 department is responsible for managing the acquisition of goods and services. This includes:

- Identifying and selecting vendors.
- Negotiating terms and prices for purchases.
- Monitoring vendor performance and ensuring compliance with agreements.
- Coordinating with other departments to ensure smooth operations.

Cost Center

When you know about this overhead cost,

The execution is to apply requirement specifications.
A portfolio of suppliers guarantees continuity of supply and reduces the need to deal with multiple suppliers. It also provides an opportunity to negotiate terms and conditions. A well-managed portfolio of suppliers can lead to cost savings and increased efficiency. A portfolio of suppliers can improve the quality of goods and services. It can also help in reducing the risk of supply disruptions.

Following problems are usually encountered in managing a portfolio of suppliers:

1. The power of some suppliers
2. The need to balance the need to achieve business continuity against the need for cost savings
3. The complexity of managing a large number of suppliers
4. The lack of standardization in terms of quality, delivery, and pricing
5. The need to establish long-term relationships with suppliers

The following are some strategies to effectively manage a portfolio of suppliers:

- Develop a supplier management strategy
- Establish clear communication channels
- Regularly review and evaluate the performance of suppliers
- Foster a culture of continuous improvement
- Implement a supplier rating system
- Develop a contingency plan for critical suppliers
- Establish a supplier development program
- Provide regular feedback to suppliers

Prominent companies which excel in portfolio management:

- Amazon
- Walmart
- Coca-Cola
- Procter & Gamble
- Nestle

The effective management of a supplier portfolio is crucial to the success of any business. It requires a strategic approach to identify, prioritize, and manage suppliers. The goal is to ensure a reliable supply of goods and services at the best possible cost. This involves regular evaluation of suppliers, negotiation of terms, and establishing long-term relationships. Effective portfolio management can lead to reduced costs, improved quality, and increased efficiency.

Example of a successful portfolio management strategy:

- Walmart: Walmart uses a supplier scoring system to rate suppliers on criteria such as quality, delivery, and pricing. This helps in identifying top performers and addressing areas for improvement. They also develop long-term relationships with key suppliers to ensure a consistent supply of goods.

Portfolio management is an essential aspect of supply chain management. It involves identifying, selecting, and managing suppliers to meet the needs of the business. Effective portfolio management can lead to reduced costs, improved quality, and increased efficiency.
No opportunity to create leverage from a single purchase order because of minimum economies of scale from multiple suppliers. In addition, the small order rarely contributes to inventory in product or process improvements, and the final location of the supplier's stock is unknown.

These problems are the result of a combination of two primary factors: vendor selection and purchasing expenditure. Traditionally, purchasing was considered a transactional process, focused on acquiring materials and services on a timely basis. It is all purchase orders, with little time for supply strategy.

Purchasing has become a transnational business function with no one managing or leading the "business process." Purchasing is often divided between the departments of small transactions, driven by individual or team requirements, and executed at the transactional level with no value added to the business's customer and at the same time, many indirect costs are incurred.

The simple truth that there is nothing worth saving in the traditional procurement process or the idea of delivering more distinctive products and services to its customers, a business can no longer ignore the importance of the procurement function and its access to new market potential. The most obvious administrative processes bring value with each purchase. The supply management process is no longer the same as it was in the past. It is a process that needs to be redefined, simplified, and made more efficient and effective. The process must be designed to facilitate process analysis and begin addressing the important question of how to improve the value of the supply process.

Administrative vs. Managing Processes

In today's competitive marketplace, where every business is in a race to deliver more distinctive products and services to its customers, a business can no longer ignore the importance of the procurement function and its access to new market potential. The most obvious administrative processes bring value with each purchase. The supply management process is no longer the same as it was in the past. It is a process that needs to be redefined, simplified, and made more efficient and effective. The process must be designed to facilitate process analysis and begin addressing the important question of how to improve the value of the supply process.
Subject: Financial Aid Applications

Dear Future Students,

We are excited to announce that our university is now accepting applications for financial aid. This year, we have increased our financial aid budget to support more students than ever before. With our new initiative, we are committed to providing every student with the opportunity to pursue their education without financial strain.

The application process is simple and straightforward. You can complete the application online at our website or visit our campus to fill out a paper form. Once submitted, your application will be reviewed by our financial aid staff, and you will receive a decision within two weeks.

We encourage all qualified students to apply for financial aid. Whether you are looking to reduce your tuition costs, pay for books, or cover other educational expenses, our financial aid program can help make your education possible.

Thank you for considering our university. We look forward to welcoming you to our community.

Best regards,
[Your Name]
Financial Aid Director
<table>
<thead>
<tr>
<th>Problem</th>
<th>How do I know whether your business is still succeeding?</th>
</tr>
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Where metrics can't handle this.

Where metrics can't handle this, start with organizational processes, systems, and structures.

1. Are you actively engaged in defining/understanding a management process to care for customers?
   - Yes
   - No

2. Are some metrics and metrics? Yes
   - No

3. Are your processes performance consistent?
   - Yes
   - No

4. Task cost support services:
   - Yes
   - No

5. Can cost be reduced?
   - Yes
   - No

6. Are metrics in place?
   - Yes
   - No

7. Are you actively engaged in defining/understanding a management process to care for customers?
   - Yes
   - No

8. Are your processes performance consistent?
   - Yes (good)
   - No (needs improvement)

For more guidance, please contact your support services.
<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>1. You are interested in improving your management skills.</td>
<td></td>
<td></td>
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<td>2. You think you need more training and support.</td>
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<td>3. You are willing to provide feedback on your performance.</td>
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<td>4. You have implemented new processes and strategies.</td>
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<td>5. You have attended management conferences or seminars.</td>
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<td>6. Can you discuss specific benefits of attending training programs?</td>
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<td>7. You feel ready to read.</td>
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<td></td>
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<tr>
<td>8. You see a case for strategic planning.</td>
<td></td>
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<td>9. You have reached the next level in your career.</td>
<td></td>
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Score 5 points for every "Yes" response. If you have 25

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**Course of Direction:**

- with tangible results
- meaningful application
- providing direction
- developing your skills
- providing direction
- securing leadership
- continuing to read (will tell you now)
- you now see a case for strategic planning.
Procurement Initiatives

A Brief History of

Chapter 3

20
A happy hour of personal reflections: is the enough...
Figure 3.2. The complete supply stream.

Supply Management

- Value
- Product
- Incentives
- Negotiation
- Delivery
- Accountability
- Actual Use
- Measurement
- Integrate

Figure 3.3. Annual purchase order analysis.
The supply of lead resources is essential for maintaining coal-fired power plants, coal mines, and lead producers. Any reduction in lead production or supply could lead to significant environmental and economic impacts. As a result, efforts are underway to ensure the sustained availability of lead resources globally.
In 1981, the supply team began a thorough review of all suppliers and obtained a clearer understanding of the relationship between cost and quality. The review focused on the costs and benefits of long-term relationships with key suppliers and how to optimize procurement strategies. The team also reviewed the costs and benefits of using alternative suppliers and the potential for cost savings. The review concluded that it was more cost-effective to maintain long-term relationships with key suppliers, as this would result in lower costs and improved quality. The team also identified opportunities to negotiate better prices and terms with suppliers.

In addition to the review of key suppliers, the team also developed a new manufacturing process for the metal used in the product. The new process was more cost-effective and resulted in a significant reduction in production costs. As a result, the company was able to reduce the price of the product by 15%, which contributed to increased sales and profitability.

The team also implemented a new inventory management system that allowed for better tracking of inventory levels and reduced the risk of stockouts. This system also allowed for better forecasting of demand, which helped to reduce the costs associated with holding excess inventory.

Overall, the team's efforts resulted in significant cost savings and increased profitability for the company. The team's approach of reviewing suppliers, implementing new processes, and optimizing inventory management provided a clear path to increased efficiency and profitability.
Implementation Guide

1. In discussions with your organization's procurement professionals, clearly define what the expected outcomes are and how they should be measured.

2. Ask about the actual buying processes:
   - Are they automated?
   - Are they consistent?
   - Are they scheduled?
   - How does this process fit within the organization?

3. Ask about the actual measurement inputs:
   - Are they meaningful or superficial?
   - Do they intend to be important?
   - Do they know these measures?

4. Ask about how the acquired goods or services are used:
   - Are they effective?
   - Are they consistent?
   - Are they3.

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