

WEB Honeycutt.biz April.2017 BlockMAOM.05.01.f

TYPE Web.Student PDF.FORMAT PurchStrat01.jpg

Purchasing Strategy



Summarize each video in the space provided.

3:40



How to Craft a Procurement Strategy

<https://youtu.be/tfQBLCJ7U2U>

2:54



The Sourcing Strategy & the Caterers

https://youtu.be/D7CYaP1_Hyc

3:05



SAP Procurement Strategy

<https://youtu.be/Y12k3fbRHV4>

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Purchasing Strategy



Summarize your understanding of each paragraph.

Strategic management involves the creation of major goals and implementation of initiatives taken by a company. Top management takes into consideration their company resources along with an assessment of the internal and external factors in it's business.

The Procurement Function (or, purchasing function) uses the overall company strategy to set in-place a departmental strategy.

Companies implement Purchasing strategies in order to make cost effective purchasing decisions from a group of efficient vendors who will deliver quality goods on time and at mutually agreeable terms.

Companies strive for an optimum mix of vendors who can provide the best prices and terms. Going through this process "weeds-out" suppliers who cannot provide a quality service at good prices.

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Read Possible Strategies



1. Read the passage. (Purchasing Strategies)
2. Underline key expressions in each sentence.
3. Re-write each word (or expression) you underlined.
4. Summarize the passage.

Read this. Underline key words.

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There are possibly dozens of “purchasing strategies” that a company might use. Below, a few of the most commonly pursued approaches are summarized:

- Global Sourcing (buying from anywhere in the world)
- Green Purchasing (buying environmentally sound products)
- Risk Management (minimizing risk associated with vendors)
- Supplier Optimization (getting high quality, low prices)
- Total Quality Management (TQM is the abbreviation for this)
- Vendor Development (working in “partnership” with vendors)

Re-write words you underlined

Using a complete sentence, summarize or rephrase the passage

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More About Purchasing Strategies

Regardless of the size of the company, there is a core group of purchasing strategies that most large companies try to implement. These are:

Supplier Optimization

The company chooses an optimum mix of vendors who can provide the best prices and terms. This process usually means that the less able suppliers who cannot provide a quality service at the terms and prices required are discarded. This is by far the most common of the various purchasing strategies.

TQM

Total Quality Methods, requires the vendors to provide an ever increasing quality service with zero errors. The supplier ensures purchasing best practices using a number of tools such as six sigma.

Risk Management

As more companies obtain their supplies from countries such as China and India, they are more concerned with the risk management of this supply chain. Whilst these countries can supply products at very advantageous prices, these advantages can be soon negated by a natural or human disaster.

Global Sourcing

Large multinational companies see the world as one large market and source from many vendors, regardless of their country of origin.

Vendor Development

Some companies believe that they are working hand-in-hand with their vendors. They therefore spend some time in developing processes that assist these vendors. There may also be the situation where a company is dependent upon just one supplier for their products. If this supplier is unable to perform to the required standards, the purchaser may assist the vendor in improving their service or implement processes to improve their procurement cycle.

Green Purchasing

This is one of the more common purchasing strategies for governments and local governments. This strategy champions the need for recycling and purchasing products that have a negative impact on the environment.

<http://www.purchasing-procurement-center.com/purchasing-strategies.html>

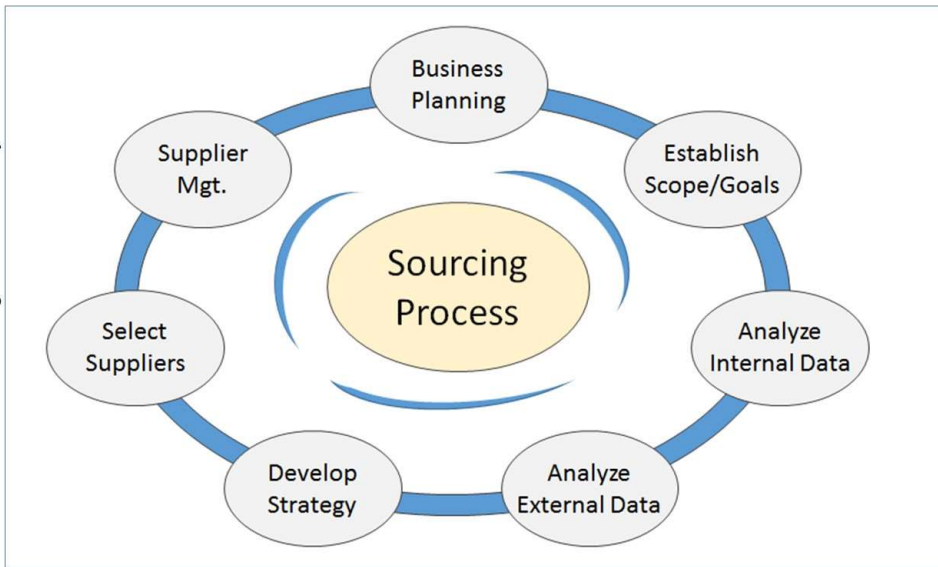
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Draw Sourcing Process



Copy and Label the Illustration in the Space Provided

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Draw (Copy) the Illustration Here

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Interpret a Graph



Write the title of the graph _____

Circle the type of chart this represents

Bar Chart Line Chart Pie Chart Other

If applicable,

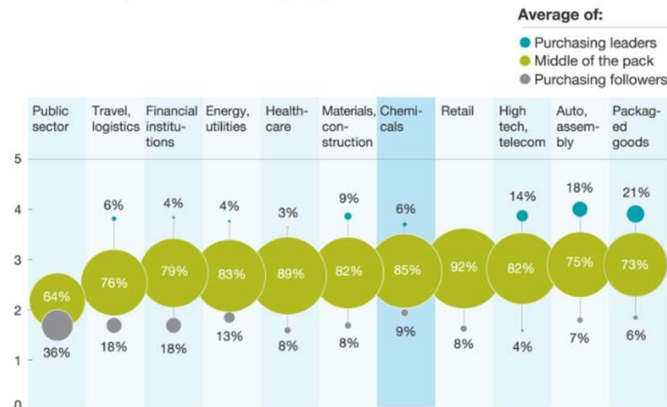
What does the X-axis represent _____

What does the Y-axis represent _____

Summarize what this graph represents or conveys

While the chemical industry shows good overall procurement performance, few companies have made purchasing a strategic weapon.

Average purchasing practice score (scale: 1 = low to 5 = high), size of bubble represents share within group, %¹



¹Figures may not sum, because of rounding.

McKinsey&Company

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Show-Off Your Smarts!



Instructions

- Assemble into a small group assigned by the instructor.
- As a group, review the questions below.
- As a group, select one of the questions to discuss.
- Discuss your ideas/answers/responses as a group.
- Select one person to present your response to the class.

Q1. How can this information be applied to a young-person's life?

Q2. Why might this information be important to a business person?

Q3. What type of businesses must apply this information and why?

Q4. As a business owner, how would you apply this information?

Q5. How might this information make you a better employee?

Information covered in this topic ...

Strategy	Optimization	Alliance
Procurement	Vendor	Total Cost
TQM		Quality

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Review Your Understanding



Based on the previous text and illustrations, answer these (T/F)

Strategic purchasing focuses on quality only – irrespective of price or cost. T / F

Strategic purchasing focuses on low-cost only – irrespective of quality of goods. T / F

Strategic purchasing considers speed of the vendor (how quickly goods are delivered once ordered). T / F

Strategic purchasing considers consistency of the vendor (how dependable the vendor is in delivering goods). T / F

Strategic purchasing takes several factors into consideration when selecting the best vendors. T / F



Purchasing and procurement professionals find all the information they need on the Internet. T / F

In large businesses, major departments enlist the help of the purchasing department for major purchases. T / F

All purchases made by big companies are with other big companies. T / F

Vendors (companies that sell goods and services) do not need to know anything about the purchasing process. T / F

Green Strategies (environmentally attentive aspirations) are a legal requirement for all businesses large and small. T / F

Self-Check. Don't Peek: F F T T T * F T F F F

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R.A.C.E.

Use this hypothetical business situation to complete your R.A.C.E. page.



Assume you are the newly appointed Senior Director of Purchasing.

A Vice President of your company has requested you create a company procurement strategy.

How would you respond to the situation?

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Rephrase. Answer. Citation. Example.

Rephrase the instructor's question regarding the topic.

Answer the question above in three ways. Use your notes from the videos, the summarized paragraphs, or the discussion.

Cite the source (video/paragraph) you used in your answers.

Example write an example situation related to the topic.

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