

Being a purchasing & supply professional in the 21st Century

Professor Simpson Poon

Head, Dept of Business Administration

IVE Shatin

Traditional perception of a P&S professional

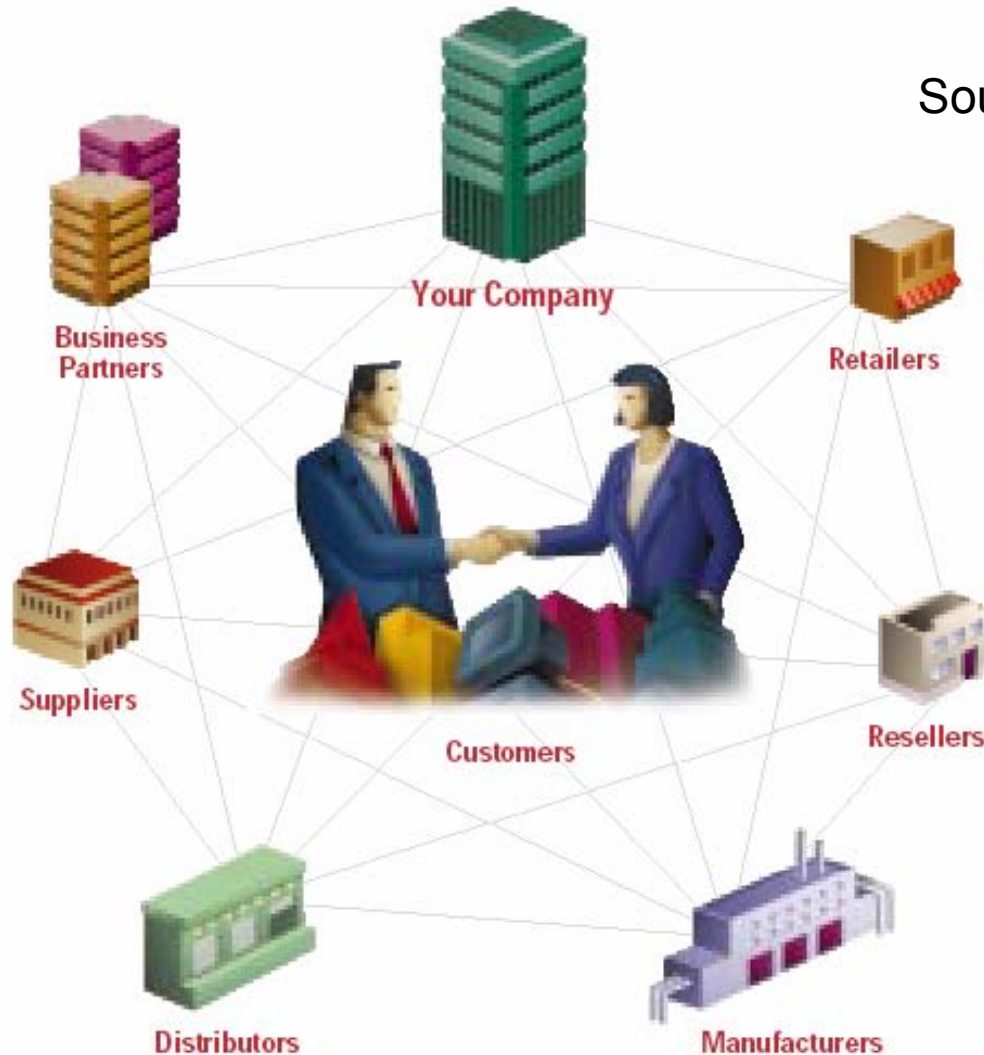
- A staff member of an internal/cost centre
- With little value-add when related to top and bottom lines of a company's performance
- Only concerned with procurement and disposal of goods
- Only services internal customers
- With relatively low job status

Factors influencing the role of P&S professionals nowadays

- Globalisation – a supply chain will link multiple companies, regions and with a complex composition (e.g., types of goods & products)
- IT – supply chains will have a physical and virtual (informational) component
- Knowledge-based economy – a supply chain may be supplying services or intangible goods (e.g., software)

A supply web instead of supply chain

Source: www.cisco.com



A recent study on changes to the P&S industry by 2010

- 18 key areas will have an impact on P&S professional due to IT, new practices and emerging economic factors
- A P&S professional will be a knowledge worker, technically competent, a business person with operations skills; and, an excellent communicator/negotiator **AT THE SAME TIME!**
- Think globally, act locally

Carter, Carter, Monezka, Slaigin & Swan (2000) 'The future of purchasing & supply: A 10-year forecast'. J. of Supp. Chain Mgmt. Winter, 14 - 26

Area 1 – E-Commerce

- The Web will be the backbone of e-purchasing
- Most, if not all, procurement and transaction activities will be e-commerce based
- Systems for low strategic value items will be aimed for ‘electronic efficiency’

Area 2 - Strategic cost management

- Dominant companies along the supply chain will increasingly influence supply chain members' costs through target setting and communication
- Decision-making costs result will be measured across supply chain

Area 3 – Strategic sourcing

- Supplier assessment and evaluation will become more detailed and precise
- Companies will create supply strategies to achieve cost and technology advantages

Area 4 – Supply chain partner selection & contribution

- Buyers and suppliers will increasingly participate in joint planning and development activities
- Companies in the supply chain will increasingly share resources including intellectual properties, people, information and other assets
- Demand the sharing based on mutual benefits and achieve better flexibility

Area 5 – Tactical purchasing

- Tactical purchasing will become increasingly automated and selected purchase commodities will be outsourced
- An increase in buying consortia or third-party purchasing
- Decreased headcounts in the tactical purchasing areas, reflecting the technology-enabled and strategic nature of this area

Area 6 – Purchasing strategy development

- Purchasing personnel will spend considerable amount of time on supplier alliance development
- There will be a management role reporting directly to senior management and works with others who have planning and budgeting responsibilities

Area 7 – Demand pull purchasing

- Demand-pull supply systems built on a Web-based supply chain
- Integrated with other organisational systems which determine the parameters of purchasing and procurement functions

Area 8 – Relationship management

- Cross-enterprise relationship management involving senior management
- Align and leverage relationship management knowledge to optimise costs, efficiency and benefits
- Management focuses on transaction elimination exercises, out-sourcing to full-service suppliers and automating the buying processes

Performance measurement

- Common performance metrics will be adopted
- Price paid will be a key performance indicator
- New costing models adopted to more precisely reflect the resource situation within the supply chain

Area 10 – Process uncoupling

- Some industries (e.g., IT) will uncouple the design, development and final order fulfilment functions to enhance flexibility
- For those who deliver services and intangible goods will have their supply chains decoupled, then recoupled

Area 11 – Global supplier development

- Suppliers will be from different parts of the world as long as it is feasible
- Use the Web and portals to streamline the management of purchasing and supply functions in such cases

Area 12 – 3rd party purchasing

- 3rd and 4th party providers will be emerging (e.g., Li & Fung in Hong Kong)
- Use E-Commerce based system to fully integrate with customers' internal purchasing and supply functions

Area 13 – Virtual supply chain

- Use IT to build virtual supply chains linking organisations' procurement functions
- These supply chains maybe temporal to exploit short-term opportunities
- Share risks and benefits at the same time by sharing data and resources

Area 14 - Source development

- A database of sources available electronically with background and performance indicators shown
- Transient contracts with customised terms and conditions

Area 15 – Competitive bidding and negotiation

- Competitive bidding and negotiation supported by IT-enabled system will be more prevalent
- Industry-wide portals to be set up for industry-specific activities
- Negotiations will be more focus on power-based relationships

Area 16 - Strategic supplier alliances

- Strategic alliances will grow in importance and numbers
- Strategic alliances will be more efficient when tackling competitions – ie., future competitions will be alliance vs. alliance

Area 17 – Negotiation strategy

- Negotiation will be quantified based on costing models and performance metrics
- How flexible one can be in meeting demands will be an important bargaining chip
- Negotiation will be supported by decision-support systems

Area 18 – Complexity Management

- Dominant companies on a supply chain will influence others more strongly by both power-relationship and technology
- Complexity of a supply chain will increase as relationship and sharing become more entrenched

To summarise

- The role of a P&S professional will become more business and technology-focused
- Managing information is as important as managing physical goods
- Need to add value to the company's top and bottom lines
- Communication, relationship building and negotiation skills are important
- Think globally and act regionally and locally

Thank You

Questions & Discussion