CHAPTER 2 THE TASK OF PURCHASING AND SUPPLY MANAGEMENT  
  
THE PURCHASING AND SUPPLY MANAGEMENT AS PART OF BUSINESS MANAGEMENT  
  
\* It should be emphasised from the outset that purchasing and supply management is executed as an integrated part of the firm's broader management (as part of the logistics management or supply chain management approach)  
  
\*Purchasing and supply PLANNING is part of the firm's general planning, mainly because the continuous supply of raw materials components & services is of a strategic importance to the enterprise. The supply market is just as important for the firm's survival continued profitability as the sales market is the firms own product. Firm's general planning must be integrated.  
  
\*The ORGANISATIONAL STRUCTURE of the purchasing and supply function should be aimed mainly @ linking into the firm's overall structure in the most effective way. The purchasing and supply function primarily renders a service to the enterprise.  
  
\*Purchasing and supply COORDINATION should be aimed @ harmonising and aligning the activities of the purchasing and supply function with those of the other business functions.  
  
\*CONTROL is  that element of management which ensures that activities are executed according to plan and within the allowed parameters.  
  
2.2 PLANNING FOR PURCHASING AND SUPPLY MANAGEMENT   
  
THE NATURE OF PURCHASING AND SUPPLY PLANNING  
  
Planning can be defined as the basic management task that entails a systematic and intelligent exposition of the direction to be followed to attain predetermined goal  
  
LEVELS OF PURCHASING AND SUPPLY PLANNING AND OBJECTIVES  
  
>TOP MANAGEMENT  
  Mission and long-term objectives.    (Long-term or strategic planning)  
  
>SUPPLY (CHAIN) MANAGEMENT  
  Intergrated objectives  
(Medium-term or integrated functional planning)  
  
>PURCHASING AND OTHER SECTION MANAGEMENT  
Operational objectives  
(Short-term or tactical planning)  
  
STRATEGIC PURCHASING AND SUPPLY PLANNING  
  
STRATEGIC PURCHASING OBJECTIVES  
  
>To ensure the availability of purchased requirements @ a competitive price  
>To develop existing or new suppliers  
>To keep investment in inventory as low as possible  
  
TACTICAL SUPPLY OBJECTIVES  
  
>To enter into the long term contracts with reliable suppliers of strategic materials  
>To put together a project team responsible for developing suppliers   
>To study alternative inventory control systems or the flow of materials to and within the enterprise  
  
OPERATIONAL PURCHASING OBJECTIVES  
  
>To maintain sound relations with suppliers by means of ethical conduct and adherence to contract clauses and also to order on time  
>To study the situation in the supplier market and provide technical support to developing suppliers  
>To conduct an inventory analysis, reduce A category products and improve the understanding with suppliers or implement JIT  
  
ORGANISATION OF PURCHASING AND SUPPLY MANAGEMENT  
  
•POSITION OF THE PURCHASING & SUPPLY FUNCTION IN THE ENTERPRISE'S ORGANISATIONAL STRUCTURE  
  
CENTERALISED PURCHASING & SUPPLY ORGANISATIONAL STRUCTURE  
  
When a firm vests the authority for the purchasing and supply function in 1 person or team.  
  
Advantages:  
  
>Standardisation of materials and products is possible because purchases are made at one point  
>Purchasing and supply staff are afforded the opportunity to become experts  
>Control over all aspects of the purchasing and supply function is improved  
>Administrative costs are reduced by eliminating duplication  
  
DECENTRALISED PURCHASING & SUPPLY ORGANISATIONAL STRUCTURE  
  
Purchasing by different departments, branches or plants, while each of them enjoys an important measure of autonomy of decision making regarding the purchasing and supply function.  
  
Advantages:  
  
>Better liaision can be effected between decentralised purchasing and supply functions and the user functions of individual plants served by the purchasing and supply function  
>The needs users can be better satisfied because the purchasing and supply function knows them better  
>Different plants maintain their autonomy. Plant managers are often fully responsible for the profitability of individual plants  
  
COMBINED PURCHASING & SUPPLY ORGANISATIONAL STRUCTURE  
  
According to the combined approach, common requirements of the different plants such as equipment and certain categories of raw materials, are purchased centrally head of office. The plants' purchasing and supply functions are assisted by corporate  purchasing and supply in developing policies, procedures, and control measures, recruiting and training staff, auditing the  purchasing and supply performance of the plants  
  
•CROSS-FUNCTIONAL TEAMS  
  
Advantages:  
  
>Different perspectives and expertise of team members  
>Responsiveness to user needs  
>Increased acceptance by users of the products  
>Increased innovation because of informal organisational structures  
>Enhanced communication between functions and with top management  
>Teams accepting responsibility for problem correction  
  
COORDINATING PURCHASING AND SUPPLY MANAGEMENT  
  
As a task for purchasing and supply management, coordination is a conscious attempt to harmonise the tasks and activities of this function to  
ensure full cooperation in the pursuit of purchasing and supply objectives.  
The main coordinating mechanisms of purchasing and supply management  
with other functions in the organisation, and with suppliers and customers, are definitely computer systems such as electronic data interchange(EDI), materials planning (MRPII) and distribution requirements planning (DRP).  
  
  
TWO TYPES OF COORDINATION  
  
Between purchasing and supply and other functional areas  
Purchasing coordination is lateral acts in an advisory/support method to the other functions in the enterprise.  
  
Between p and s and the supplier system  
Two dimensions to the coordination between p and s function and the supplier system.  
Firstly there is coordination with the whole supplier system and secondly with the individual suppliers.  
  
The flow of products and services from the supplier has to be effective, the p and s function has to ensure that coordination between them and the supplier ensures this occurs. This can be achieved by means of supplier alliances, integrated systems and inter-organisational teams. The supplier must become an extension of the buying enterprise.  
  
The chief coordinating mechanisms available to p and s management are open communication, strategic alliances, integrated systems, the conscious motivation of suppliers and standardisation of specifications, purchasing documents and purchasing procedures.  
  
  
CONTROL : PERFORMANCE EVALUATION OF THE PURCHASING AND SUPPLYFUNCTION  
Control may be defined as a systematic attempt to reach objectives or set  
standards that accord with the enterprise's goal, to observe actual perform-  
ance and compare it with the set standards, and to take corrective steps  
with a view to achieving the mission and goals of the enterprise.  
  
Objectives and basic principles of performance evaluation  
P and activities are complex, needs to have a control system. Feedback  on actual performance(measured against quantitative norms). This ensures that the p and s strategy is implemented at the various levels in the company. With this the p and s manager can monitor and improve the functions actual performance. Control ensures that all the other functions with p and s work optimally.