

SOURCING AND PROCUREMENT

Sourcing in procurement is a process of assessing, selecting, and managing suppliers to acquire the desired goods and services from them. (creating sources through which an organization can obtain its supplies)



Typically, strategic sourcing contains the seven following steps, developed by A. T. Kearney in 2001

Step 1. Analyzing internal needs and understanding the spend category

to identify the company's needs — what goods or services must be purchased and define specifications for these products.

Step 2. Researching the market

the sourcing specialists search for suppliers, review the market offerings, and evaluate the market for risks and opportunities.

Step 3. Developing a sourcing strategy

deciding where to buy necessary goods to minimize costs - company also devises the set of criteria for potential suppliers.

Step 4. Issuing RFQs or RFPs and vetting suppliers

send potential suppliers a request for quote (RFQ) or a request for proposal (RFP)- A request for proposal is usually more complex than a request for quote and contains project details, pricing analysis, product specifications, and delivery terms. Suppliers ability to complete the project is evaluated

Step 5. Negotiating and selecting suppliers

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a sourcing team evaluates responses, asks for clarifications if needed, and begins negotiating with shortlisted suppliers for lower prices, better payment terms, benefits, etc.

Step 6. Arranging supplier integration process

A buyer and a supplier sign a contract-implementation takes place

Step 7. Benchmarking and assessing results

The sourcing team benchmarks the status of the spend category and analyzes the suppliers' performance based on established KPIs.

PROCUREMENT

- ▶ Procurement is the process of acquiring the goods and services an organization needs for its operations.
- ▶ Procurement aims to guarantee that internal needs are satisfied on time with high-quality products.
- ▶ For instance, if your company requires raw materials to manufacture its products, you first choose where to procure these materials, send a purchase order to the selected supplier, and pay for delivered items.

The typical procurement process involves the following steps:

- Spotting internal needs and creating a purchase requisition;
- Evaluating the market
- Shortlisting suppliers and issuing RFQ or RFP
- Reviewing quotations and selecting vendors
- Negotiating with suppliers
- Creating a purchase order
- Expediting and receiving the ordered items
- Auditing the delivered order to ensure supplier compliance
- Receiving a goods receipt and an invoice
- Performing a 3-way-match- (Vendors invoice, Purchase Order, receiving report- doc will be compared)
- Making a payment
- Keeping record

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- Assessing the supplier performance and establishing a vendor relationship.
- With sourcing as its subset, procurement directly impacts a company's bottom line performance and competitiveness

Effective procurement strategy allows negotiating the most favorable payment terms and establishing solid relationships with reliable and affordable suppliers. In addition, procurement aims to guarantee that internal needs are satisfied on time with high-quality products.

DIFFERENCE BETWEEN SOURCING AND PROCUREMENT

SOURCING	PROCUREMENT
<ul style="list-style-type: none"> ▶ Tasked with choosing suitable suppliers and negotiating the most favorable contract terms ▶ Contains fewer steps ▶ Involves defining the need, researching the market, running sourcing events, vetting suppliers, and negotiating contracts ▶ Focuses on who provides the supplies ▶ Takes a strategic approach ▶ Aims at minimizing costs and building a robust supply chain ▶ Creates vendor and supplier relations ▶ Builds supply channels and systems ▶ Makes the flow of supplies possible 	<ul style="list-style-type: none"> ▶ Tasked with acquiring the high-quality goods at the right time to meet company needs ▶ Involves multiple processes and numerous steps ▶ Comprises sourcing, requisitioning, purchase ordering, making a payment, examining data, and managing contracts ▶ Focuses on what and how is supplied ▶ Includes both strategic and tactical components ▶ Aims at fulfilling internal needs and gaining a competitive advantage ▶ Manages supplier relationships to procure goods. ▶ Uses supply systems developed by sourcing. ▶ Emphasizes streamlining the flow of supplies.