



PD10

Sourcing and Procurement Standards

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PD10

Sourcing and Procurement

Unit purpose and aim

This unit presents the fundamental sourcing management knowledge for managers involved in logistics activities. It covers the role and strategy of sourcing and the procurement processes that follow. The unit addresses the integration of these processes within the overall corporate strategy and covers the measurement and use of performance and financial controls that aid efficient and effective supplier management.

Elements

- PD10-1 The Roles of Sourcing and Procurement
- PD10-2 Sourcing and Procurement Procedures and Processes
- PD10-3 Managing Risk and Spend in Relation to Customer and Supplier Requirements
- PD10-4 Performance Measurement and Control in Sourcing and Supply

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Element PD10-1

The Roles of Sourcing and Procurement

Learning Outcomes

The learner will:

- 1.1. Understand the roles of sourcing and procurement in the supply chain.
- 1.2. Know what is meant by the corporate sourcing strategy.
- 1.3. Understand how the sourcing and procurement strategies fit with logistics strategy.
- 1.4. Understand how sourcing integrates with supply activities, including their contribution to IT-based manufacturing and distribution systems.

Assessment Criteria

The learner can:

- 1.1.1. Identify the relationship between corporate and sourcing strategies in a given organisation.
- 1.2.1. Carry out a commercial risk assessment.
- 1.3.1. Assess the opportunities for e-procurement and other strategies within a given organisation.
- 1.4.1. Relate supply objectives and requirements to specific sourcing and procurement strategies.
- 1.4.2. Integrate sourcing and procurement information into manufacturing and distribution systems.

Indicative Content

Sourcing and Procurement role	Strategic, value-adding role in the supply chain. Multi-functional process. External interface with the supply market.
Corporate sourcing strategy	Assessment of supply options. Commercial risk assessment.
Corporate sourcing and logistics strategy	Integration of sourcing with the supply and distribution network.
Sourcing and supply activities	Activities: partnerships; outsourcing; e-business; inventory and supply planning; collaborative planning; VMI/CMI; Supply Market analysis. IT-based systems: contribution of the procurement function to systems development and specification, especially MRP1 and 2; providing sourcing and procurement information to IT systems.

Element PD10-2

Sourcing and Procurement Procedures and Processes

Learning Outcomes

The learner will:

2.1. Understand the different types of sourcing structures.

2.2. Know the key stages in the sourcing and procurement process.

2.3. Know how to develop prices and apply pricing strategies.

2.4. Understand the legal issues relating to contract and dispute.

Assessment Criteria

The learner can:

2.1.1. Analyse the effectiveness of sourcing structures in a given organisation.

2.2.1 Implement sourcing practices and procedures.

2.2.2 Identify and manage critical products and services.

2.3.1. Analyse price and cost and attribute value to products and services.

2.4.1. Manage the tendering and bid processes, including the legal issues.

2.4.2. Assess the impact of new legislation on procurement processes.

Indicative Content

Sourcing Structures	1 st , 2 nd and 3 rd tier structures and their application to specific industries.
The sourcing and procurement process	Stages of sourcing: strategy & planning; upstream S&P; downstream S&P.
Prices and pricing strategies	Price analysis and price variations. Price agreements. Price rings, cartels and restrictive practices. Pricing arrangements and risk analysis.
Legal issues	Contract law: offer and acceptance; intent; capacity; legality; consideration; acquiring title; consequential loss. Terms and conditions of contract. Intellectual Property Rights. Performance contracts. Discharge of contract. Key Legislation: Sale of Goods Acts, 1979 and 1994; Supply of Goods and Services Act 1982 (as amended); Contract Rights of 3 rd Parties Act 1999; Consumer Protection Act 1987 (Part 1); Competition Act 1990; EU Procurement Directives on Works, Supplies, Utilities, Services and Compliance; Local Government, Planning and Land Act 1980 (authority of local authorities to award contracts for works without fair competition); Local Government Act 1988 Act and 1992 (requirements for compulsory competitive tendering); procurement implications of the Race Relations Amendment Act 2000; Public Supplies Contract Regulations 1991, 1993 and 1995.

Element PD10-3

Managing Risk and Spend in Relation to Customer and Supplier Requirements

Learning Outcomes

The learner will:

- 3.1. Know how to manage risk from potential sources.
- 3.2. Understand the elements on which a supplier relationship is based.
- 3.3. Know how to identify opportunities to manage suppliers.
- 3.4. Know how to plan and direct negotiations.
- 3.5. Understand how to control negotiated outcomes.

Assessment Criteria

The learner can:

- 3.1.1. Identify risks and implement controls to limit them.
- 3.2.1. Build long term relationships with suppliers.
- 3.3.1. Carry out a process of vendor rating.
- 3.3.2. Manage supplier performance.
- 3.4.1. Negotiate fair deals with suppliers using negotiating tactics and ploys.
- 3.5.1. Implement reduced risk strategies from deals.

Indicative Content

Managing risk	Commercial risk assessment: certainty; quality and cost of supply; “make or buy” decisions; outsourcing/offshoring. Risk identification & management strategies: environmental scanning and analysis; PEST, SWOT and Impact Assessment. Key points in reducing risk: ensuring quality and currency of sourcing and supply information; implementing quality control and quality assurance processes; currency management for overseas sourcing.
Supplier relationship	Types of supplier relationship: multiple and single suppliers; traditional and partnership sourcing. Supplier relationship management: partnership and adversarial models; assessing suppliers for partnership suitability; requirements for successful partnerships. Supplier development in relation to current and future sourcing and procurement needs.
Opportunities to manage suppliers	Identifying opportunities: using vendor rating for performance improvement; feedback information on failed bids. Supplier appraisal and feedback. Managing supplier performance: monitoring and evaluation systems and performance information.
Planning and directing negotiations	Identifying targets and objectives. Development of a negotiating brief. Competition and co-operation in negotiation.
Controlling negotiated outcomes	Confirming the agreement; identifying agreed outcomes; monitoring the results.

Element PD10-4

Performance Measurement and Control in Sourcing and Supply

Learning Outcomes

The learner will:

4.1. Understand how supplier performance can be measured.

4.2. Understand how sourcing processes can be measured.

4.3. Understand the use of benchmarking for measuring performance.

Assessment Criteria

The learner can:

4.1.1. Implement supplier performance improvement initiatives.

4.2.1. Measure the efficiency and effectiveness of sourcing processes.

4.3.1. Implementing a process of benchmarking to improve performance.

Indicative Content

Measuring Suppliers	Vendor rating systems; agreeing performance standards; analysing data; identifying trends and areas for performance improvement; informing supplier of results. Supplier performance improvement initiatives.
Measuring sourcing processes	Key areas of performance; identifying target standards; analysing data. KPIs.
Benchmarking performance	Identifying what is to be benchmarked; establishing what the benchmark is; benchmark partners.