

SUPPLY CHAIN MANAGEMENT[®]

MODULAR LEARNING SYSTEM



ITC's Modular Learning System in Supply Chain Management[®] MLS-SCM[®]

What is the MLS-SCM[®]?

A practical, continuously updated and supported training pack that can help you to make effective international purchasing and supply chain management become a key factor for your company's competitiveness and success.

The [®] symbol signifies the power of purchasing which is one key element of this programme.

Who is it for?

Present and future managers and staff responsible for purchasing and supply chain management, particularly in private enterprises.

What does it contain?

Through its 19 high quality and comprehensive modules and the SCM for SME training pack, the MLS-SCM[®] covers all stages in the purchasing and supply management process. A brief description of each module is given as from page 3 in this document. A more detailed description as well as additional information about this programme can be downloaded from www.scm-learningnet.org (see "MLS-SCM[®] Information" and "MLS-SCM[®] Diploma Programme"). On the same website you can also see a list of the institutional network members.

How is it used?

The MLS-SCM[®] is used exclusively by licensed ITC partner institutions worldwide, including management training institutes, universities, business sector organisations, purchasing and supply management institutes and others. These institutions have expressed their commitment to providing training in international purchasing and supply chain management to their countries' business communities by offering them the unique, user-friendly and practical approach of the MLS-SCM[®]. A number of these network member institutions and trainers have received guidance and assistance from ITC on how to offer the programme effectively.

Additional benefits?



In addition to the high quality of the MLS-SCM[®]-based training itself, participants who have completed the required cycle of MLS-SCM[®] modules – along with a project-based practical application of the knowledge and skills gained – will qualify as candidates for the MLS-SCM[®] Diploma in supply chain management. This Diploma is recognised by ITC as well as by participating institutions around the world.

About ITC

ITC is the focal point institution in the UN system providing technical cooperation to developing countries and economies in transition in the area of international trade promotion and development.

For further information, please visit our websites www.scm-learningnet.org and www.intracen.org/exporters/supply-chain-management or contact us at the following address:

MLS-SCM[®] Programme, International Trade Centre, Palais des Nations, 1211 Geneva 10, Switzerland, Tel: +41 22 7300 301, Fax: +41 22 7300 328, e-mail: mls-scm@intracen.org

Whom to contact?¹

In order to obtain further information on MLS-SCM[®]-based training opportunities in your country, please contact:

¹ To be completed by local network partner institutions

Detailed Course Outline

In this document you will find a detailed description of each of the Modules. For each Module, you will find a summary of the whole Module as well as the learning objectives and summaries unit by unit (most Modules contain 5-8 units).

The *MLS-SCM*[®] uses an interactive and participative approach to support group training as well as individually based open learning. Each Module comprises a participant's Coursebook & Workbook as well as a Trainer's Answerbook & set of presentation slides.

The *MLS-SCM*[®] is regularly updated and is also complemented by additional materials and training tools, including cases, exercises, business games and simulations. This full set of materials is intended to make it easy to deliver training that is practical, impacting and enjoyable.

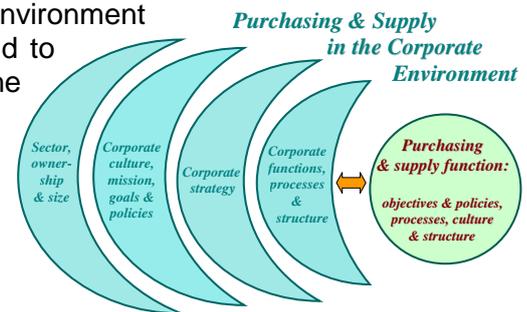
The full materials are only available via institutions having a valid licence agreement with ITC.

Table of Contents

	Page
Module 1 – Understanding the Corporate Environment	3
Module 2 – Specifying Requirements and Planning Supply	8
Module 3 – Analysing Supply Markets	12
Module 4 – Developing Supply Strategies	16
Module 5 – Appraising and Short-listing Suppliers	21
Module 6 – Obtaining and Selecting Offers	26
Module 7 – Negotiating	30
Module 8 – Preparing the Contract	34
Module 9 – Managing the Contract & Supplier Relationships	40
Module 10 – Managing Logistics in the Supply Chain	45
Module 11 – Managing Inventory	50
Module 12 – Measuring and Evaluating Performance	54
Module 13 – Environmental Procurement	57
Module 14 – Group Purchasing	61
Module 15 – E-Procurement	65
Module 16 – Customer Relationship Management	70
Module 17 – Operations Management	73
Module 18 – Managing Finance along the Supply Chain	81
Module 19 – Packaging in the Supply Chain	90
SME Training Pack – Supply Chain Management for SMEs	97

Module 1 Understanding the Corporate Environment

This Module aims to explain the impact of the corporate environment on the purchasing & supply function of an enterprise, and to show how this function interrelates with the rest of the organisation. This Module explores which factors are part of the corporate environment, and how these influence and interrelate with the purchasing & supply function.



Unit 1 Introduction

Unit Summary

Unit 1 consists in an introduction to the rest of the Module. The purchasing & supply function does not work in isolation – it works with other functions that together make up an organisation. The “corporate environment”, comprising the nature of the organisation and what it seeks to do, has implications for all its functions. These implications need to be understood by the purchasing & supply function if it is to be effective and efficient in supporting the organisation to which it belongs.

Learning Objectives

- ◆ Identify which are the major decision areas regarding the purchasing & supply function that are influenced by the corporate environment
- ◆ Specify which are the main dimensions of the corporate environment that have an effect on the purchasing & supply function

Unit Contents

- ◆ 1.1 Purchasing & supply management: a rapidly changing function in the enterprise
- ◆ 1.2 What this module covers

Unit 2 Which Type of Organisation?

Unit Summary

The nature or type of an organisation will influence its purpose or goals, as well as the way it operates. This will affect the quantities and types of goods and services that an organisation purchases, and how these are purchased.

Being able to appreciate some of the main features of a particular type of organisation is therefore a useful starting point in understanding what is needed to ensure that its purchasing & supply operations are carried out effectively. In this Unit, we consider the implications for organisations in the private, public and non-profit making sectors, and in the three broad areas of the economy – primary, secondary and tertiary.

Learning Objectives

- ◆ *Describe the implications for purchasing & supply when carried out in different types of organisations and sectors*
- ◆ *Define the implications that this has for the purchasing & supply function of an organisation*

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 Purchasing & supply in private, public & non-profit organisations
- ◆ 2.3 Purchasing & supply in the various sectors of the economy
- ◆ 2.4 Conclusion

Unit 3

Corporate Culture, Mission, Goals and Policies

Unit Summary

The culture of an organisation, together with the expectations of its main stakeholders, shapes the organisation's mission, goals and policies, i.e. what it wants to achieve and the principles that it will adopt.

Corporate goals, where these are published, give guidance to the whole organisation in terms of, for example, profitability targets, which markets the enterprise is aiming for, and how it views its responsibility to the community and to the environment. Corporate goals and policies have implications for the various functions of the organisation, including purchasing & supply, which need to translate the organisation's goals and policies into functional level objectives and policies.

Learning Objectives

- ◆ *Describe the factors that determine corporate culture within an organisation, and the extent to which this culture can be changed*
- ◆ *Identify which types of corporate culture exist in your organisation*
- ◆ *Define the impact that corporate culture has on the mission, goals and policies of an organisation, and its implications for the development of new corporate strategies*
- ◆ *Describe the benefit of having a corporate mission and goals, and how these are likely to vary with the nature of the organisation*
- ◆ *Describe the purpose of corporate policy*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 Corporate culture
- ◆ 3.3 Mission and goals
- ◆ 3.4 Policies
- ◆ 3.5 Conclusion

Unit 4 Corporate Strategy

Unit Summary

The corporate strategy is the way in which the organisation intends to achieve its goals. It involves deciding which products and services to sell in which markets, and what investments are needed to support this.

The organisation will base the choice of which products and services to sell based on its core competences as well as on particular competitive advantages that the organisation has or intends to develop. The organisation's functions, such as Purchasing & Supply (P&S), need to be aware of what these are, so that they can ensure that their own strategies and processes support them. For example, where an enterprise is selling based on very high quality, the purchasing & supply function must develop sourcing strategies and processes to ensure that all of the required inputs for making the product meet the firm's quality standards.

Corporate strategy should include guidance on what the priorities are for the organisation. P&S should then set its own priorities accordingly.

Learning Objectives

- ◆ *Define corporate strategy and explain how it is developed*
- ◆ *Contribute to the process of developing or reviewing the corporate strategy in an enterprise*
- ◆ *Identify the main implications of corporate strategy for the purchasing & supply function*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 The process – an overview
- ◆ 4.3 Reviewing the market & business environment
- ◆ 4.4 Analysing an enterprise's competences and its product/service offer
- ◆ 4.5 Generating product-market options
- ◆ 4.6 Analysing product-market options
- ◆ 4.7 Comparing and selecting product-market options
- ◆ 4.8 Prioritising
- ◆ 4.9 Implications of corporate strategy for the purchasing & supply function

Unit 5**The Role and Objectives of the Purchasing & Supply Function****Unit Summary**

Having decided which products or services it is going to offer, the organisation must establish which of the required activities it will undertake itself, and which it will purchase as goods and services from suppliers. This defines both the functions that must be carried out internally, and what the purchasing & supply function will have to buy.

The objectives of any function should be aligned with the corporate strategy. When purchasing a product or service, the purchasing & supply function must be aware of how it affects the corporate strategy. Specific supply objectives support the various core products that the enterprise has or intends to develop. For example, if a purchased input (i.e., a bought-in product or service) is particularly important for one or more of the company's products, its supply objectives and targets for the input should directly reflect this.

As well as setting objectives and targets relating to its desired results, the purchasing & supply function should set objectives and targets that will enable it to operate efficiently and effectively. Such objectives will relate to its processes, systems, tools, techniques, and the training of its staff.

The pursuit of objectives and targets should be made taking account of both the purchasing & supply function's policies and the policies of the organisation overall.

Learning Objectives

- ◆ *Explain the relevance, scope and nature of the purchasing & supply function*
- ◆ *Describe the difference between the direct and support functions in an organisation*
- ◆ *Describe the effect on purchasing & supply of the growing trend towards outsourcing functions*
- ◆ *Formulate objectives and policies for the purchasing & supply function*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 An organisation's functions
- ◆ 5.3 Setting the objectives of the purchasing & supply function
- ◆ 5.4 Purchasing & supply policies
- ◆ 5.5 Developing supply targets, priorities and strategies
- ◆ 5.6 Conclusion

Unit 6**Operating the Purchasing & Supply Function within the Organisation****Unit Summary**

The organisation must organise itself to carry out its internal functions as effectively and efficiently as possible. Processes are the means by which activities are linked together to carry out the work of the organisation. Most of the main processes in an organisation involve several functions. The purchasing & supply process is one of the main processes within most organisations, and must be designed and managed appropriately.

The mechanism by which the organisation exercises control over its functions and processes is the organisational structure, which creates manageable units with defined responsibilities. The structure will define the scope of activities of the purchasing & supply department, and those of the other departments that it must interface with in carrying out its responsibilities.

To function effectively, the purchasing & supply function must be adequately resourced. This means having the required IT and communications facilities and, particularly, the right people suited to its role and responsibilities.

Learning Objectives

- ◆ *Explain the relevance of processes and structure to the functioning of an organisation*
- ◆ *Describe the main processes of an enterprise, and the principal issues to consider when designing the purchasing & supply process*
- ◆ *Describe the basic types of organisational structure, and when each is appropriate*
- ◆ *Explain the main issues involved in positioning of the purchasing & supply function within the structure of an organisation, as well as in determining its own internal culture and structure*
- ◆ *Explain what a purchasing & supply department has to consider in relation to securing the resources it requires to function effectively*

Unit Contents

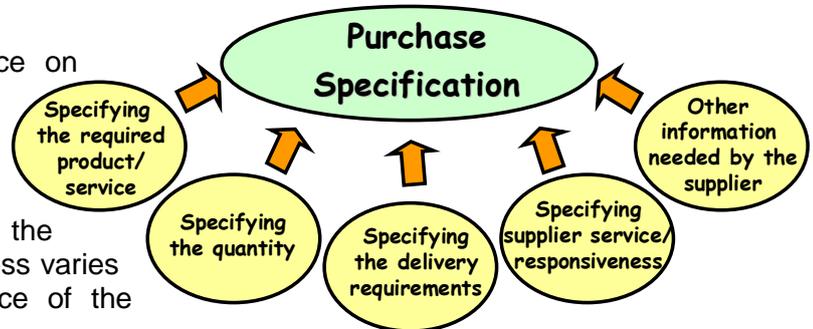
- ◆ 6.1 Introduction
- ◆ 6.2 The purchasing & supply process
- ◆ 6.3 Organisational structure
- ◆ 6.4 Organising a purchasing & supply department
- ◆ 6.5 Re-sourcing the purchasing & supply department
- ◆ 6.6 Conclusion

Module 2 Specifying Requirements & Planning Supply

This Module covers how to determine and specify all the different dimensions of what the enterprise needs to purchase.

The Purchase Specification

It gives practical guidance and advice on developing purchase specifications and planning supply in an enterprise. It also explains the role of the purchasing and supply function and shows how its involvement in the specification and supply planning process varies depending of the type and importance of the purchase to be made.



Unit 1

Introduction

Unit Summary

Unit 1 consists in an introduction to the rest of the Module. The role of the purchasing & supply function is to satisfy the requirements for goods and services that an organisation cannot – or does not wish to – provide internally.

Specifying requirements and planning supply is the starting point in the purchasing & supply process. If this is not done well, then all subsequent stages in the process will also be defective. It is therefore critical to get this stage right!

Learning Objectives

- ◆ List the basic questions that should be answered by a purchase specification
- ◆ Give examples of problems which could arise if purchases are not correctly specified

Unit Contents

- ◆ 1.1 Specifying requirements
- ◆ 1.2 What this module covers

Unit 2 What Needs to be Specified?

Unit Summary

This Unit gives an overview of what a purchase specification can contain. It also introduces four different categories of requirements: operational, capital, production and non-production requirements.

Learning Objectives

- ◆ Give examples of operational, capital, production and non-production requirements
- ◆ Give concrete examples of what can be specified in terms of quality, quantity, delivery, service and additional information to be provided to a supplier

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 Types of requirements
- ◆ 2.3 What can be specified?
- ◆ 2.4 Conclusion

Unit 3 Specifying the Product or Service

Unit Summary

In this Unit, different ways of specifying *what* is to be purchased, in terms of performance, functionality, design, capacity, durability and so on are explored. The use of standards and the benefits of standardisation are explained, and the technique of value analysis as a method for developing product/service specifications is introduced. Questions such as indicating how the purchased product should be tested, if this is required, are examined.

Learning Objectives

- ◆ Describe six different types of product specifications and their main advantages and disadvantages
- ◆ Determine the most appropriate type of specification for a particular product or service
- ◆ Know how to find out which standards exist for a product that you want to buy
- ◆ Describe the concept of internal standardisation and its benefits
- ◆ Describe the technique and process of Value Analysis/Value Engineering when preparing or reviewing specifications

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 Product specifications
- ◆ 3.3 Service specifications
- ◆ 3.4 Using external standards
- ◆ 3.5 Internal standardisation
- ◆ 3.6 Value Analysis / Value Engineering
- ◆ 3.7 Conclusion

Unit 4

Specifying Quantity, Delivery and Service

Unit Summary

Unit 4 covers the ways to determine what the level of demand is likely to be and to specify how much will be required. It also provides guidance on specifying where, when and how the product or service should be delivered, and what service is expected from the supplier.

Learning Objectives

- ◆ *Describe different types of demand patterns and explain the difference between dependent and independent demand*
- ◆ *Explain the main different ways of forecasting demand and of specifying the quantity required*
- ◆ *Describe the main issues to consider when specifying delivery and supplier service/responsiveness*
- ◆ *Outline other types of information important to the supplier that should be included in a specification*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Specifying quantity
- ◆ 4.3 Specifying delivery
- ◆ 4.4 Specifying supplier service & responsiveness
- ◆ 4.5 Other information to be included in the specification

Unit 5**The Process of Specifying Requirements & Planning Supply****Unit Summary**

This Unit focuses on how the process of specifying purchases and planning supplies should be conducted. It looks at the roles of the different parties concerned, i.e. the users, the purchasing & supply function and suppliers, and explores the links between budgets and supply planning.

It also reviews how supply targets are established, and how these can serve as a basis for developing and prioritising purchase specifications. Finally, it considers how purchases are requisitioned and authorised, setting in motion the actual procurement process.

Learning Objectives

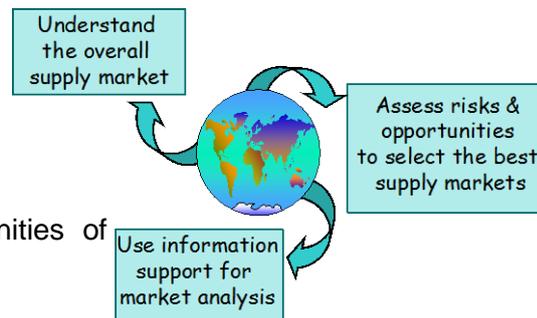
- ◆ *Describe what the role should be of the purchasing & supply function in the process of specifying requirements and planning supply*
- ◆ *Explain the main issues involved in budgeting, and how this can serve as an important element in supply planning*
- ◆ *Formulate and prioritise supply targets that are aligned with corporate targets and overall supply objectives*
- ◆ *Identify the approaches to using specifications that will best reflect the level of expenditure on the item as well as its impact on a firm's competitive advantages*
- ◆ *Describe the process of requisitioning and authorisation for different types of requirement*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 The role of purchasing & supply
- ◆ 5.3 Budgeting and supply planning
- ◆ 5.4 Setting priorities for specifying and supply planning
- ◆ 5.5 Approaches to developing purchase specifications
- ◆ 5.6 Starting the procurement process: requisitions and authorising purchases
- ◆ 5.7 Conclusion

Module 3 **Analysing Supply Markets**

This Module describes a methodology and various practical tools that enable you analysing supply markets in a cost-effective manner. It shows how to set priorities for supply market analysis taking account of the company's situation. How supply markets function and their characteristics is also covered, and guidance is provided through a process of appraising the risks and opportunities of specific market segments.



Unit 1

Introduction

Unit Summary

To be effective, an enterprise must understand and manage the supply market rather than react to it. This means knowing what is happening across the whole of the supply market and wherever possible being able to influence developments. This Unit introduces the importance of supply market analysis to anticipate risks and take advantage of opportunities ahead of competitors.

Learning Objectives

- ◆ Describe the purpose and benefits of undertaking a supply market analysis

Unit Contents

- ◆ 1.1 The importance of supply market analysis
- ◆ 1.2 The benefits of supply market analysis
- ◆ 1.3 What this module covers

Unit 2

Setting Priorities for Supply Market Analysis

Unit Summary

This Unit helps to determine when and for which products and services to undertake a supply market analysis. It introduces the Supply Positioning Model, which enables setting priorities for carrying out supply market analyses taking into account a company's annual expenditure on its different purchase items, the impact of these items on the company's profit, and the extent of supply risk that they represent.

Learning Objectives

- ◆ Set priorities for undertaking a supply market analysis using the Supply Positioning Model

Unit Contents

- ◆ 2.1 Overview
- ◆ 2.2 The supply positioning model – Stage I
- ◆ 2.3 The supply positioning model – Stage II

Unit 3 Understanding Supply Markets

Unit Summary

This Unit looks at the general features of a supply market analysis, such as the level of competition, overall risks and opportunities, the stages in the product-market life cycle, market drivers, the factors influencing the purchase price and an overview of the main approaches to supply market forecasting.

Learning Objectives

- ◆ *Assess the level of competition in your supply market using Porter's "five forces" model*
- ◆ *Explain the risks and opportunities associated with competitive and non-competitive markets*
- ◆ *Describe the main ways to forecast supply market developments*
- ◆ *Determine the stage in the product-market life-cycle of a purchase item*
- ◆ *Define the concept of market drivers and identify key market drivers for your supply markets*
- ◆ *Identify the factors that determine price, and develop a cost/price model*
- ◆ *Identify the main variables that can be used to segment supply markets*
- ◆ *Narrow down your supply markets to different segments and eliminate non-relevant segments as a basis for further analysis*

Unit Contents

- ◆ 3.1 The starting point
- ◆ 3.2 Step I: Preparing for a supply market analysis
- ◆ 3.3 Step II: Assessing the degree and effects of competition in the market
- ◆ 3.4 Step III: Forecasting market developments
- ◆ 3.5 Step IV: Understanding market drivers
- ◆ 3.6 Step V: Assessing the price
- ◆ 3.7 Step VI: Segmenting the supply market
- ◆ 3.8 Step VII: Screening out segments
- ◆ 3.9 Conclusion

Unit 4 Appraising Market Segments

Unit Summary

This Unit goes through the detailed process of determining risks and opportunities for specific supply market segments. The POCKET approach is introduced as a tool to analyse geographic market segments. It also looks at key factors to consider when segmenting based on technology and supply channels.

The next step in the process is to identify events in a market segment that may represent risks or opportunities, and build scenarios around these events in order to facilitate analysis of the segment. This Unit shows how – and to what extent – different supply targets may be affected under these scenarios.

This Unit shows how to select those supply segments which represent the best combination of risks and opportunities for a particular purchase item.

Learning Objectives

- ◆ *Identify the types of risks and opportunities of different market segments*
- ◆ *Apply the POCKET approach when appraising geographic market segments*
- ◆ *Indicate the key factors to consider when using technology and supply channels as a basis for segmenting supply markets*
- ◆ *Identify and screen those events that may represent risks or opportunities in a particular market segment*
- ◆ *Prepare alternative scenarios for these events, to assess the likelihood of each opportunity or risk*
- ◆ *Estimate which of your supply targets are likely to be affected by these events, and by how much*
- ◆ *By combining your assessment of supply market risk and its potential impact on your organisation, determine which market segments best meet your supply targets and present the best balance of risks and opportunities*
- ◆ *Describe how to set priorities aimed at taking advantage of supply opportunities and at reducing supply risks*
- ◆ *As a result of your appraisal of alternative market segments, update the location of items on your company's supply positioning model taking account of your reassessment of supply risks and supply opportunities*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Stage I: Identifying types of supply risks and opportunities of different segments
- ◆ 4.3 Stage II: Identifying and screening events
- ◆ 4.4 Stage III: Further research
- ◆ 4.5 Stage IV: Scenarios to assess risks and opportunities
- ◆ 4.6 Stage V: Which supply targets are affected
- ◆ 4.7 Stage VI: How much will events affect the supply targets?
- ◆ 4.8 Stage VII: Determining which segment best meets your requirements
- ◆ 4.9 Stage VIII: Monitoring supply market risks and opportunities
- ◆ 4.10 Reassessing your purchase item's rating on the supply positioning model
- ◆ 4.11 Conclusion

Unit 5

Information Support to Supply Market Analysis

Unit Summary

This Unit describes the main types of information formats and sources available for undertaking a supply market analysis, and the criteria to use when appraising these. It shows which information sources are relevant to each stage of a supply market analysis and describes some of the main considerations relating to processing of the information that is obtained.

Learning Objectives

- ◆ *Describe the main criteria for assessing the quality of information*
- ◆ *Identify the major types of information sources and/or providers*
- ◆ *Identify the main sources of information required to undertake each stage of a supply market analysis*
- ◆ *Describe some basic approaches to dealing with the information obtained*

Unit Contents

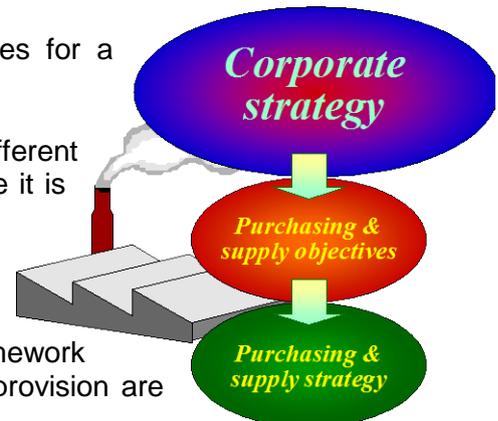
- ◆ 5.1 Introduction
- ◆ 5.2 Types of information and information providers
- ◆ 5.3 Information needed for your supply market analysis
- ◆ 5.4 Making sense of the information

Module 4 Developing Supply Strategies

This Module focuses on how to develop supply strategies for a company's different categories of products and services.

Developing and using different supply strategies for different types of purchases will help to spend time and effort where it is most needed, and achieve the best results.

This Module will show when – and for which types of purchases – to develop a strategic partnership with supplier(s) and when it is better to spot buy or have a framework contract. Approaches such as joint ventures and internal provision are also covered.



Unit 1

Introduction

Unit Summary

When setting supply objectives and targets for purchases, an enterprise determines what is to be achieved, for instance, in terms of levels of quality, innovation, continuity of supply and lead-times, supplier service and responsiveness, and total cost reduction.

Having a supply strategy means knowing how to achieve these supply objectives and targets. The various products and services – because they often differ in terms of levels of expenditure, importance and degree of supply risk – will require adopting different supply strategies. Supply strategy involves having a clear idea about issues such as:

- ◆ *How many supply market segments to buy from*
- ◆ *How many suppliers to buy from*
- ◆ *The type of relationship to have with the supplier(s) of a purchase item*
- ◆ *The type of contract to have in order to support this relationship*
- ◆ *The types of operational procurement strategies to be pursued*

The answers to the above questions constitute elements of the supply strategy for a purchase requirement.

Learning Objectives

- ◆ *List the main elements of a supply strategy*

Unit Contents

- ◆ 1.1 What is supply strategy?
- ◆ 1.2 What this module covers

Unit 2 A Framework for Supply Strategy

Unit Summary

This Unit describes how supply strategy is linked to corporate strategy. It also explains how to use the Supply Positioning Model as a tool to develop supply strategy.

Learning Objectives

- ◆ *Describe how supply strategy serves your supply objectives and, through these, to achieve your firm's corporate strategy*
- ◆ *Describe how supply strategy serves your supply objectives and, through these, to achieve your firm's corporate strategy*
- ◆ *Identify the four quadrants of the Supply Positioning Model and describe their main features and implications for supply strategy*
- ◆ *Describe when it is generally better to go for one or for more markets as sources of supply*

Unit Contents

- ◆ 2.1 Linking supply strategy to corporate strategy
- ◆ 2.2 The Supply Positioning Model
- ◆ 2.3 Single or multiple supply market segments?

Unit 3 Supplier Relationships and Contract Types

Unit Summary

This Unit goes through the different types of relationships and contracts that an organisation can have with its suppliers.

Learning Objectives

- ◆ *Explain the meaning and implications of using the following 6 main types of buyer-supplier relationships:
Spot buy - Regular trading - Call-off contracts - Fixed contracts – Partnerships - Joint ventures*
- ◆ *Explain the benefits and drawbacks of making a product or providing a service internally as opposed to purchasing it*
- ◆ *Describe how suppliers' perceptions and your relative bargaining position will affect your supply strategy and your relationships with suppliers*

Unit Contents

- ◆ 3.1 The starting point
- ◆ 3.2 Spot purchases
- ◆ 3.3 Regular trading
- ◆ 3.4 Call-off contracts
- ◆ 3.5 Fixed contracts
- ◆ 3.6 Partnerships
- ◆ 3.7 Joint ventures
- ◆ 3.8 Internal provision
- ◆ 3.9 How suppliers' perceptions and your bargaining position affect your supply strategy
- ◆ 3.10 Conclusion

Unit 4

Supply Strategy for Routine Items

Unit Summary

This Unit explains how to develop supply strategies for items that are of low value and represent a low risk to a company.

Learning Objectives

- ◆ *Define supply strategies for specific routine items in terms of:
Number of suppliers to use - Type of supplier relationships - Type of contract to use -
General operational strategies - Specific operational strategies - Ideal supplier
characteristics - Types of individual buyers to be involved*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Number of suppliers and type of supplier relationships
- ◆ 4.3 Type of contract
- ◆ 4.4 Which operational strategies
- ◆ 4.5 Implications for the types of suppliers and buyers
- ◆ 4.6 One-time or infrequent purchases
- ◆ 4.7 Conclusion

Unit 5 Supply Strategy for Leverage Items

Unit Summary

This Unit explains how to develop supply strategies for items that are of high value but represent a low risk to a company.

Learning Objectives

- ◆ *Define supply strategies for specific leverage items in terms of:
Number of suppliers to use - Type of supplier relationships - Type of contract to use - Operational strategies - Ideal supplier characteristics - Types of individual buyers to be involved*
- ◆ *Identify the costs of switching from one supplier to another*
- ◆ *Identify the differences in supply strategies for leverage items on the basis of different levels of switching costs and of supplier prices*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 The impact of switching costs
- ◆ 5.3 The impact of supplier price variation
- ◆ 5.4 Which operational strategies
- ◆ 5.5 Implications for the types of suppliers and buyers
- ◆ 5.6 Implications of a poor bargaining position
- ◆ 5.7 One-time or infrequent purchases
- ◆ 5.8 Conclusion

Unit 6 Supply Strategy for Bottleneck Items

Unit Summary

This Unit explains how to develop supply strategies for the opposite kind of items, i.e. those that are of low value but represent a high risk to a company.

Learning Objectives

- ◆ *Define supply strategies for specific bottleneck items in terms of:
Number of suppliers to use - Type of supplier relationships - Type of contract to use - Operational strategies - Ideal supplier characteristics - Types of individual buyers to be involved*

Unit Contents

- ◆ 6.1 Introduction
- ◆ 6.2 Number of suppliers and type of supplier relationships
- ◆ 6.3 Type of contract
- ◆ 6.4 Which operational strategies
- ◆ 6.5 Implications for the types of suppliers and buyers
- ◆ 6.6 One-time or infrequent purchases
- ◆ 6.7 Conclusion

Unit 7 Supply Strategy for Critical Items

Unit Summary

This Unit explains how to develop supply strategies for the most important purchase items: those that are both of high value and also represent a high risk to a company.

Learning Objectives

- ◆ *Define supply strategies for specific critical items in terms of:*
Number of suppliers to use - Type of supplier relationships - Type of contract to use - Operational strategies - Ideal supplier characteristics - Types of individual buyers to be involved

Unit Contents

- ◆ 7.1 Introduction
- ◆ 7.2 Number of suppliers and type of supplier relationships
- ◆ 7.3 Type of contract
- ◆ 7.4 Which operational strategies
- ◆ 7.5 Implications for suppliers and buyers
- ◆ 7.6 Exceptions to the proposed supply strategy
- ◆ 7.7 One-time or infrequent purchases
- ◆ 7.8 Conclusion

Unit 8 Supply Strategy for Commodities

Unit Summary

Purchasing commodities – because of the special nature of commodity markets – involves developing a very particular set of strategies, which are reviewed in this Unit.

Learning Objectives

- ◆ *Describe the options for purchasing commodities traded on commodity exchanges*
- ◆ *List the main issues relevant to purchasing commodities through commodity exchanges*

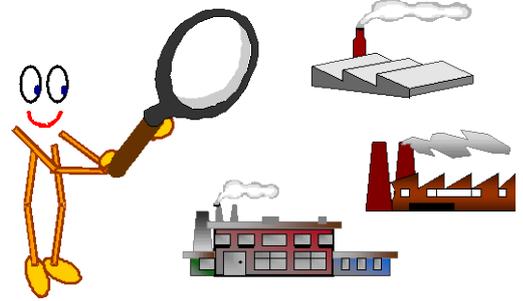
Unit Contents

- ◆ 8.1 Introduction
- ◆ 8.2 Purchasing commodities traded on recognised exchanges
- ◆ 8.3 Other issues to consider

Module 5 Appraising & Short-listing Suppliers

This focuses on how to appraise suppliers for purposes of short-listing them as viable business partners.

Working with the best possible suppliers is essential for an enterprise, particularly when purchasing items that are critical to its operations, or involve a high degree of supply risk or of expenditure. Knowing how to identify such suppliers – and to assess their relative capabilities and degrees of motivation to do business with the buying company – will establish a firm foundation for developing productive supplier relationships over the long term.



This Module covers issues relating to the kinds of criteria that can be used for your supplier appraisal, and how to locate, screen and further research suppliers who are likely to be the most appropriate. It follows a methodology for measuring and rating potential suppliers against criteria that have been set, including their financial situation. The Module also helps to understand key follow-up issues to take into account once the short-listing of suppliers has been completed.

Unit 1

Introduction

Unit Summary

Carrying out supplier appraisal is critical to all companies. It is essential to determining which suppliers are best suited to respond to a particular purchase requirement. If supplier appraisal is not carried out as carefully and systematically as needed, there is an increased risk that suppliers chosen by the firm will fail to perform adequately.

Learning Objectives

- ◆ Identify which are the main purposes of supplier appraisal and short-listing
- ◆ Describe under which circumstances supplier appraisal is needed

Unit Contents

- ◆ 1.1 Importance and timing of supplier appraisal
- ◆ 1.2 What this module covers

Unit 2

A Framework for Supplier Appraisal

Unit Summary

In this Unit, the framework for supplier appraisal and short-listing is reviewed. It starts by looking at the various stages in this process, and then considers how the kind of item being purchased will influence supply strategy and, consequently, the type of relationship to have with suppliers. This, in turn, sets the conditions for what the supplier appraisal will seek to achieve. This Unit also introduces the two main dimensions to consider when appraising suppliers: capability and motivation.

Learning Objectives

- ◆ *List the seven main steps involved in supplier appraisal*
- ◆ *Describe the preliminary activities that are needed for a supplier appraisal to be successful*
- ◆ *Identify the main issues involved in developing the Supply Positioning Model*
- ◆ *Describe how this model can help you to prioritise and focus your supplier appraisal efforts*
- ◆ *Describe the main kinds of relationships that you can have with suppliers and how these will influence your supplier appraisal. Identify the two main dimensions involved in supplier appraisal*

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 The process
- ◆ 2.3 Positioning your purchase item
- ◆ 2.4 Possible kinds of relationships with suppliers
- ◆ 2.5 The basic model for assessing suppliers

Unit 3

Criteria to Appraise a Potential Supplier

Unit Summary

This next Unit presents a wide range of criteria that can be used when appraising suppliers. These criteria will generally focus on supply targets for the purchase item, i.e. quality, supply availability, supplier responsiveness and cost. There are also some general supplier characteristics that must be assessed. The second part of this Unit looks at which of these various criteria are relevant to each of the various kinds of items that are purchased: routine, leverage, bottleneck and critical.

Learning Objectives

- ◆ *List the main criteria with which to appraise a supplier in terms of your supply quality, availability, supplier responsiveness and cost targets*
- ◆ *Outline some additional general considerations to take account of when appraising suppliers*
- ◆ *Identify which of these supplier appraisal criteria are particularly relevant to each of the four categories of items that you purchase: routine, leverage, bottleneck and critical items*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 An ideal “Wish List”
- ◆ 3.3 Selecting appraisal criteria for your different categories of purchase items

Unit 4 A Model for Assessing Motivation

Unit Summary

This Unit outlines a model that can be used to assess a supplier's level of motivation to do business with a buying company. This depends on two factors: (1) the value of the current business being offered to the supplier, and (2) an assortment of other factors that can make the buying company an attractive business partner.

Learning Objectives

- ◆ *Describe the two dimensions of the Supplier Perception Model, and how these can be measured*
- ◆ *Explain how the perceptions of potential suppliers with regard to doing business with your company can be categorised into four groups using the Supplier Perception Model*
- ◆ *Describe how different supplier perceptions can influence the types of relationships that you will be able to develop with particular suppliers*
- ◆ *Rate the overall motivation of a supplier*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Supplier perception model
- ◆ 4.3 Determining a supplier's overall level of motivation
- ◆ 4.4 Implications of a supplier's position
- ◆ 4.5 Determining a supplier's overall motivation rating
- ◆ 4.6 A note of caution

Unit 5 Identifying, Screening & Researching Suppliers

Unit Summary

This Unit follows the process of identifying and screening suppliers, based on the assessment criteria being considered. It also shows how to research further sources of information in order to have all that is needed to complete a supplier appraisal.

Learning Objectives

- ◆ *List the different ways in which you can identify suppliers, and explain the advantages and disadvantages of each*
- ◆ *List the main sources of information that you can use to identify suppliers*
- ◆ *List the main criteria that you can use to screen suppliers before appraising them*
- ◆ *Describe the main sources of information that you can use to research suppliers in order to obtain the data you require for a full-fledged supplier appraisal*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 Identifying suppliers
- ◆ 5.3 Screening suppliers
- ◆ 5.4 Researching suppliers

Unit 6 Weighting and Rating

Unit Summary

This Unit comes to the crux of the matter of supplier appraisal. It shows how to give weights to various capability appraisal criteria, and then explains how to develop a method of giving scores to potential suppliers against these criteria. It then describes how to combine this capability rating with an assessment of the suppliers' levels of motivation. This will allow giving a final rating to potential suppliers and to shortlist those that are considered viable business partners.

Learning Objectives

- ◆ *Give weights to your criteria for appraising potential suppliers' capabilities, based on the main issues that concern you in your purchasing strategy and in your desired relationship with suppliers of a purchase item*
- ◆ *Develop and apply a system for scoring potential suppliers against your weighted appraisal criteria*
- ◆ *Combine your supplier capability and motivation assessments into an overall rating of your potential suppliers, and shortlist those suppliers that you consider to be the most viable*

Unit Contents

- ◆ 6.1 Introduction
- ◆ 6.2 Weighting your criteria for appraising supplier capability
- ◆ 6.3 Rating your potential suppliers' capabilities
- ◆ 6.4 Combining the capability and motivation ratings

Unit 7 Assessing Financial Health

Unit Summary

This Unit complements the previous one by focusing specifically on issues relating to financial appraisal. It looks into a company's balance sheet and profit & loss account, and shows how to draw inferences on a supplier firm's financial situation by reviewing key financial ratios relating to its profitability and solvency.

Learning Objectives

- ◆ *Calculate the main financial ratios for profitability and solvency, based on the figures of a company's balance sheet and profit & loss account*

Unit Contents

- ◆ 7.1 Introduction
- ◆ 7.2 Financial statements
- ◆ 7.3 Financial ratios
- ◆ 7.4 Conclusion

Unit 8 What Comes Next?

Unit Summary

This last Unit of the Module describes what to do after completing the appraisal and short-listing of suppliers. This can involve: (1) carrying out a SWOT (Strengths, Weaknesses, Opportunities & Threats) analysis of viable suppliers in order to further position them in relation a buying company's requirements; (2) listing the suppliers that have been assessed within broad categories (e.g. "approved suppliers", "preferred suppliers", etc.) relevant to future purchase decisions; (3) recording the outcomes of the supplier appraisal process on the company's information system; (4) debriefing suppliers individually on the assessments made, so that each one understands where it needs to improve; (5) working to further develop the capabilities and/or motivation of the suppliers that the buying company has decided to keep; and (6) reassessing the overall supply risks for the items that the company is purchasing based on the outcomes of its supplier appraisals.

Learning Objectives

- ◆ *Undertake a SWOT analysis of a supplier*
- ◆ *Describe the ways in which you can categorise suppliers as a basis for selecting them when making future purchase decisions*
- ◆ *Describe the main features of a system for recording supplier information, and list the kinds of information that such a system should contain. Explain the differences between a computer-based system and a manual information system*
- ◆ *Describe the main issues involved in debriefing suppliers following a supplier appraisal exercise*
- ◆ *Outline the main ways in which you can work to develop a supplier's capabilities and/or improve its motivation, and describe when this will be necessary for you to do*
- ◆ *Describe how the results of a supplier appraisal can allow you to reassess the level of supply market risk for a purchase item*

Unit Contents

- ◆ 8.1 Introduction
- ◆ 8.2 SWOT analysis of the short-listed suppliers
- ◆ 8.3 Categorising the suppliers
- ◆ 8.4 Recording your supplier information
- ◆ 8.5 Debriefing the suppliers on your appraisal
- ◆ 8.6 Further developing and motivating the suppliers
- ◆ 8.7 Updating your assessment of supply risk

Annex 1

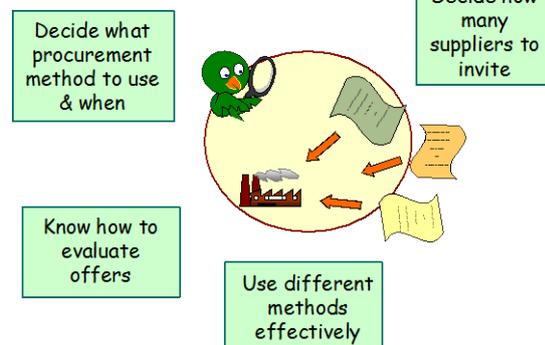
Supplier Audit Questionnaire

Module 6 Obtaining & Selecting Offers

This Module will show how to best obtain and select offers from suppliers. This is perhaps one of the most important dimensions of purchasing.

It covers issues such as how many suppliers to invite to offer depending on the type of purchase. It also deals with what type of process to apply in different situations and how formal this process needs to be (e.g., formal tendering as opposed to requesting quotations). The art of evaluating the offers is also explained, and two separate Annexes deal specifically with the formal tendering process in more detail.

This Module will help you to:



Unit 1

Introduction

Unit Summary

This Unit provides a brief introduction to the concepts and definitions used in developing solutions to obtaining and selecting offers.

Learning Objectives

- ◆ Describe the key terms related to obtaining offers
- ◆ List three prerequisites to obtaining offers

Unit Contents

- ◆ 1.1 Getting it right
- ◆ 1.2 The terms and what they mean
- ◆ 1.3 What to do before you start
- ◆ 1.4 What this module covers

Unit 2

The Framework for Obtaining and Selecting Offers

Unit Summary

This Unit explores when the different strategies and bases for evaluation are appropriate with reference to the Supply-Positioning model.

Learning Objectives

- ◆ Describe the three main dimensions that influence how you obtain and select suppliers' offers
- ◆ Outline the main stages of the process to be followed in this connection
- ◆ Describe the main approaches to apply when obtaining and selecting offers for each of the four categories of purchase items: routine, leverage, bottleneck and critical

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 Alternative approaches to obtaining and selecting offers
- ◆ 2.3 Overview of the process
- ◆ 2.4 The link to supply strategy
- ◆ 2.5 Routine items
- ◆ 2.6 Leverage items
- ◆ 2.7 Bottleneck items
- ◆ 2.8 Critical items
- ◆ 2.9 Conclusion

Unit 3

Method of Obtaining Offers

Unit Summary

This Unit describes four main approaches to obtaining and selecting offers: informal, enquiry-quotation, formal tendering and using e-marketplaces. It describes when to use each of these approaches, and why, and also outlines how to implement them.

Learning Objectives

- ◆ *Describe the following four methods of obtaining offers:*
 - *Informal process*
 - *Enquiry-quotation process*
 - *Formal tendering process*
 - *Using electronic marketplaces*
- ◆ *Select the most appropriate method to apply for each of your purchases*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 The informal approach
- ◆ 3.3 The enquiry-quotation approach
- ◆ 3.4 Formal tendering
- ◆ 3.5 Using e-market places to obtain offers
- ◆ 3.6 Conclusion

Unit 4 Criteria to Evaluate Offers

Unit Summary

The different methods and criteria that can be used to evaluate suppliers' offers are described in this Unit. Guidance is given on when each approach is appropriate. These include:

- ◆ Lowest price
- ◆ Lowest total cost of ownership
- ◆ Weighted scoring models
- ◆ Value judgement.

Learning Objectives

- ◆ *Describe the key features of the offer evaluation process*
- ◆ *Apply the four main methods of evaluating offers and their corresponding criteria: lowest price, lowest total cost of ownership, weighted scoring and value judgement*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Lowest price
- ◆ 4.3 Lowest total cost of ownership (TCO)
- ◆ 4.4 Weighted scoring
- ◆ 4.5 Value judgement
- ◆ 4.6 Choosing a basis of evaluation
- ◆ 4.7 Conclusion

Unit 5 How Many Suppliers?

Unit Summary

This Unit looks at the question of how many suppliers to invite to offer. It outlines which options are available, and the reasons for choosing one or another. It also describes how to identify those suppliers to be invited to offer.

Learning Objectives

- ◆ *Describe the reasons for inviting one, a few or all potential suppliers to make offers*
- ◆ *Identify some of the main issues to consider when determining which suppliers to invite*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 Options and reasons
- ◆ 5.3 Which suppliers to approach?

Unit 6**The Process of Obtaining & Selecting Offers****Unit Summary**

This Unit outlines how to prepare the invitation to offer and communicate it to suppliers. It also considers what to do when receiving and evaluating offers, awarding the contract and debriefing suppliers that have not been selected. The Unit also points out some ways in which the process can be adequately recorded (e.g. for audit purposes) and streamlined (to reduce costs and lead-times).

Learning Objectives

- ◆ *Describe the main elements of an invitation to suppliers to present offers*
- ◆ *Outline the ways that an invitation can be communicated to suppliers*
- ◆ *Describe the steps and actions involved in receiving and evaluating offers, and the main issues to consider in this regard*
- ◆ *Describe how an offer can be accepted and a contract awarded*
- ◆ *Define the issues to take into account regarding the debriefing of unsuccessful suppliers*

Unit Contents

- ◆ 6.1 Introduction
- ◆ 6.2 Preparing the invitation to offer
- ◆ 6.3 Communicating your invitations to suppliers
- ◆ 6.4 Receiving and evaluating the offers
- ◆ 6.5 Negotiating
- ◆ 6.6 Accepting offers and awarding the contract
- ◆ 6.7 Advising and debriefing unsuccessful suppliers
- ◆ 6.8 Keeping a record of the process
- ◆ 6.9 Streamlining the process of obtaining offers

Annexes

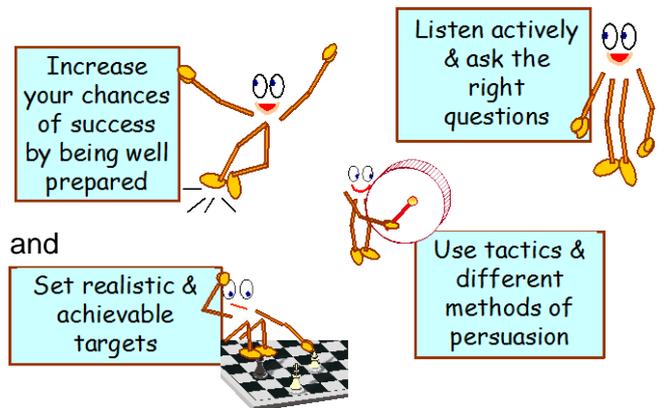
A1 The tendering process

A2 Preparing the tender invitation package

1. General considerations
2. Covering letter
3. Scope & specifications of the contract
4. Instructions to tenderers
5. Selected conditions of contract
6. Documents and information that the supplier must submit with its offer
7. Amendments to the invitation package

Module 7 Negotiating

Being able to negotiate the best possible deals with suppliers can mean the difference between success and failure. This Module shows how to prepare for, and conduct, a negotiation in a professional way. It explains how a well-prepared negotiation can substantially increase chances of success, how to set realistic and achievable negotiation objectives and targets, and how to develop a negotiation strategy. The art of questioning, active listening and the use of tactics and different persuasion techniques is also explored.



Unlike what many people think – good negotiation skills can be developed and improved and are not something we are born with.

Unit 1

Introduction

Unit Summary

Negotiation is a process whereby two or more parties, with differing views initially, attempt to reach an agreement on a common objective by the selective use of different methods of persuasion. In most cases, improved negotiation performance can lead to achieving lower overall cost of supply, better quality, shorter lead-times, contracts implemented effectively, improved supplier reliability and service, and fewer disputes.

Learning Objectives

- ◆ *Recognise the importance of negotiating and how it can contribute to increased effectiveness in purchasing and supply*
- ◆ *Identify when it is particularly important to negotiate with suppliers*
- ◆ *Describe the main phases of the negotiation process and their principal features*

Unit Contents

- ◆ 1.1 What is negotiation and why is it important
- ◆ 1.2 When do purchasers negotiate?
- ◆ 1.3 The phases of negotiation
- ◆ 1.4 What this module covers

Unit 2 Getting & Understanding the facts

Unit Summary

This Unit covers what needs to be known before entering a negotiation and where to get this information. It explores things like analysing prices and costs, assessing the supplier and its perception of the buying company, determining the balance of power between both sides of negotiation, and using a SWOT analysis. It also explains the different negotiating styles.

Learning Objectives

- ◆ *Prepare for a negotiation taking the following factors into account:
The requirements to be met - The supply market situation - Your purchasing strategy and desired supplier relationship, taking account of the nature and importance of the supply items you are negotiating*
- ◆ *Undertake a price/cost analysis and build a cost model for the supplier as a basis for a negotiation*
- ◆ *Assess how likely it will be for you to achieve the desired type of relationship, taking account of the supplier's perception of your company's business*
- ◆ *Identify your own negotiating style and describe how to deal with five major negotiating styles the other side may use*
- ◆ *Determine the organisational and individual balance of power of both sides*
- ◆ *Undertake a SWOT analysis of both sides involved in the negotiation*

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 Understanding the purchasing context
- ◆ 2.3 Analysing prices and costs
- ◆ 2.4 Understanding the supplier organisation
- ◆ 2.5 Understanding the people involved
- ◆ 2.6 Determining the balance of power
- ◆ 2.7 SWOT analysis

Unit 3 Negotiation Objectives and Strategy

Unit Summary

This Unit covers the subject of how to set achievable objectives for a negotiation and how to develop an effective negotiation strategy based on a company's supply targets. It shows how to develop negotiation variables and options and how to determine the "negotiable zone". It also explores different persuasion techniques and negotiation tactics.

Learning Objectives

- ◆ *Set realistic and achievable negotiation objectives*
- ◆ *Identify the different variables/issues to be negotiated*
- ◆ *Analyse different options*
- ◆ *Set targets for each of the variables and determine their order of priority*
- ◆ *Develop a negotiation strategy*
- ◆ *Decide on which tactics and methods of persuasion to use*
- ◆ *Organise and plan a negotiation*

Unit Contents

- ◆ 3.1 Setting objectives
- ◆ 3.2 Variables and options
- ◆ 3.3 Setting targets
- ◆ 3.4 Determining the negotiable zone
- ◆ 3.5 Developing the strategy

Unit 4 The Negotiation

Unit Summary

This Unit focuses on the actual negotiation meeting. It explains how to recognise the different stages of a negotiation and what to be aware of at each stage. Other issues covered in this Unit include the use of different types of questions, the art of active listening, how to identify the underlying interests of both sides, the interpretation of body language, and cross cultural factors to take into account when negotiating.

Learning Objectives

- ◆ *Identify the different stages of a negotiation*
- ◆ *Recognise and use several different types of questions*
- ◆ *Recognise the importance of listening actively to the other side in a negotiation*
- ◆ *Identify and take into account the interests of the other side.*



- ◆ *Recognise certain forms of body language as a means of non-verbal communication*
- ◆ *Describe cultural factors that may have an impact on negotiations with people from other countries*
- ◆ *Take into account the special issues involved in conducting negotiations by telephone*

Unit Contents

- ◆ 4.1 The stages of the negotiation
- ◆ 4.2 Asking questions and listening
- ◆ 4.3 Revisiting positions and interests
- ◆ 4.4 Body language
- ◆ 4.5 Negotiating with people from other countries
- ◆ 4.6 Negotiating by telephone

Unit 5

Follow-Up

Unit Summary

This Unit looks at some key issues to be aware of once an agreement has been reached. It explains how to review a negotiation and how to evaluate a negotiator's performance.

Learning Objectives

- ◆ *Describe the key issues to be aware of once an agreement has been reached*
- ◆ *Evaluate how effectively you have carried out a particular negotiation*

Unit Contents

- ◆ 5.1 Formalising the agreement
- ◆ 5.2 Monitoring and managing the implementation
- ◆ 5.3 Evaluating your negotiation performance

Module 8 Preparing the Contract

This Module focuses on how the contract fits into the purchasing & supply process. It outlines the buyer and seller's main obligations, and describes the overall context under which a contract is prepared. A number of specific terms and conditions are presented for various kinds of contractual relationships ranging from spot contracts to partnerships and joint ventures. It also covers a number of other topics essential to the preparation of a contract, such as Incoterms, applicable law, contractual default and how to avoid it, and the settlement of disputes.



Unit 1

Introduction

Unit Summary

A contract is a legal agreement between two or more parties with the intention of creating a legal relationship enforceable by law. Therefore, the careful negotiation of such a document – and in particular of the clauses which will define the respective rights and duties of the parties – will be the basis of a successful business relationship.

Learning Objectives

- ◆ Identify what makes a good contract
- ◆ List the key obligations of the buyer and the seller in the context of a contract

Unit Contents

- ◆ 1.1 Definition and importance of the contract
- ◆ 1.2 Buyer's and seller's obligations
- ◆ 1.3 What this module covers

Unit 2

The Context for Preparing the Contract

Unit Summary

This Unit outlines the background in which a contract is prepared, including what the company wishes to achieve and what it would like to avoid. It describes some of the things to take into account when drafting contract clauses and the kinds of problems that may be encountered when preparing an international purchasing contract.

This Unit also describes the various legal systems that can provide the framework for a contract and highlights those factors that contribute to making a good contract. Finally, it explains how the contract fits into the company's supply strategy and how it relates to the kinds of relationships that it wishes to develop with its suppliers.

Learning Objectives

- ◆ *Describe the major issues relating to preparing a contract in the area of international purchasing and supply*
- ◆ *Outline some problems frequently encountered in such contracts*
- ◆ *Describe the main features of the world's three principal legal systems*
- ◆ *Identify the specific points to take into account with regard to international contracting*
- ◆ *Outline the main links between the nature of the contract and the type of supplier-buyer relationship to be developed*
- ◆ *Describe the main issues to consider regarding contracting in the digital age*

Unit Contents

- ◆ 2.1 Preparing the contract
- ◆ 2.2 Major issues related to preparing the contract
- ◆ 2.3 Problems encountered in international purchasing and supply contracts
- ◆ 2.4 The different legal systems
- ◆ 2.5 Main themes to keep in mind: what makes a good contract?
- ◆ 2.6 Supply strategy and the contract
- ◆ 2.7 Some key contractual issues
- ◆ 2.8 Contracting in an online environment
- ◆ 2.9 Conclusion

Unit 3

Spot and Regular Trading Contracts

Unit Summary

This Unit describes the main contractual terms and conditions that apply to spot purchasing and regular trading. It outlines the purpose of each term, the reason why it must be included in a contract, and the main focus of its contents.

Learning Objectives

- ◆ *Describe what is meant by a spot contract and regular trading*
- ◆ *Identify and briefly describe which are the key clauses that specifically relate to spot contracts and regular trading with suppliers*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 List of Clauses

Unit 4 Call-Off and Fixed Contracts

Unit Summary

Here the main contractual terms and conditions that apply to call-off or fixed contracts are described. It outlines the purpose of each term, the reason why it must be included in a contract, and the main focus of its contents.

Learning Objectives

- ◆ *Describe what is meant by call-off and fixed contracts*
- ◆ *Identify and briefly describe which are the key clauses that specifically relate to call-off and fixed contracts*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 List of Clauses

Unit 5 Partnership and Joint Venture Contracts

Unit Summary

This Unit describes the main contractual terms and conditions that apply to partnerships and joint ventures. It outlines the purpose of each term, the reason why it must be included in a contract, and the main focus of its contents. A comparative overview of the terms applicable to these various kinds of contracts is also given.

Learning Objectives

- ◆ *Describe what is meant by partnerships and joint ventures*
- ◆ *Identify and briefly describe which are the key clauses that specifically relate to partnerships and joint ventures*
- ◆ *List the key clauses to include in your contracts for each of the types of supply strategies that your company uses*
- ◆ *Describe the interaction between different contracts and supply strategies*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 List of clauses
- ◆ 5.3 Conclusion

Unit 6 Transfer of Risk and Incoterms

Unit Summary

This Unit describes the Incoterms 2000, highlighting the focus of each one of these terms in relation to the transfer of risk, cost and documentation from the seller to the buyer.

Learning Objectives

- ◆ *Identify and apply Incoterms in your purchase contracts*
- ◆ *Describe what is meant by transfer of risk and of costs from the seller to the buyer*
- ◆ *Understand the implications of each of the thirteen Incoterms, and be able to use them in your contracts*

Unit Contents

- ◆ 6.1 Introduction
- ◆ 6.2 Incoterms
- ◆ 6.3 Transfer of risk
- ◆ 6.4 What happens in the absence of Incoterms
- ◆ 6.5 Adapting the Incoterms

Unit 7 Methods of Payment

Unit Summary

This Unit describes the different methods of payment and explains the advantages and inconveniences of each of them.

Learning Objectives

- ◆ *Choose an appropriate method of payment for a particular purchase*
- ◆ *Describe the advantages and inconveniences of each of them*

Unit Contents

- ◆ 7.1 Introduction
- ◆ 7.2 Principal methods of payment
- ◆ 7.3 Other methods of payment
- ◆ 7.4 Managing exchange risk

Unit 8 Contract Default and How to Avoid It

Unit Summary

This Unit describes the kinds of risks that you might face in implementing a contract. It addresses how to deal with the risk of failure of performance or default in the preparation of the contract. It also describes methods to avoid default during the contract performance.

Learning Objectives

- ◆ *Describe different types of risks which may cause contract default*
- ◆ *Draft appropriate clauses relating to contractual default*
- ◆ *Draft clauses related to hardship*
- ◆ *Deal with difficulties regarding reopening of a contract or of some key terms*

Unit Contents

- ◆ 8.1 Introduction
- ◆ 8.2 Contractual default – preparing for when something goes wrong
- ◆ 8.3 Defining default
- ◆ 8.4 Avoiding contractual default
- ◆ 8.5 Conclusion

Unit 9 Applicable Law & Settlement of Disputes

Unit Summary

This Unit emphasises the need for a common background for the preparation of a contract. In this regard, it describes which laws can be applied to a contract – including national and international legislation – and which criteria to use in selecting the one that will best suit a company's requirements. It also outlines some of the typical issues to be addressed by the applicable law. This Unit also describes how disputes can arise in a contract and which are the various mechanisms that can be used to settle these disputes. It also includes an overall conclusion of the issues dealt with throughout the Module.

Learning Objectives

- ◆ *Describe how the applicable law relates to the contract and the six levels of applicable law*
- ◆ *List the main issues related to selecting the applicable law for a particular contract*
- ◆ *List some frequently used applicable laws*
- ◆ *Give examples of issues addressed by the applicable law*
- ◆ *Define five different types of dispute resolution methods*

- ◆ *Describe the advantages and disadvantages of each method*
- ◆ *List a number of questions to ask yourself when selecting the arbitration method*
- ◆ *Draft an arbitration clause*

Unit Contents

- ◆ 9.1 Introduction
- ◆ 9.2 The need for a common background
- ◆ 9.3 The six levels of applicable law
- ◆ 9.4 The basic question: did the parties select an applicable law in the contract?
- ◆ 9.5 How would you select an applicable law?
- ◆ 9.6 Typical applicable laws selected
- ◆ 9.7 Some key applicable laws
- ◆ 9.8 Typical issues to be addressed by the applicable law
- ◆ 9.9 Selecting a dispute resolution method
- ◆ 9.10 When to state the dispute resolution method in the contract?
- ◆ 9.11 What to think about when selecting arbitration?
- ◆ 9.12 What to think about when drafting the arbitration clause?
- ◆ 9.13 Conclusion

Overall conclusion to the module

Annexes

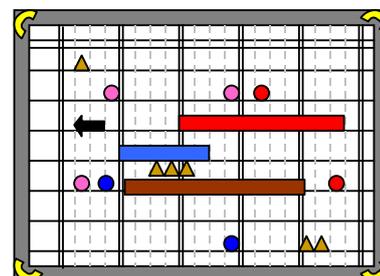
1. Standard contracts
2. Partners & links: information sources for preparing the supply contract
3. Legal system by country

Module 9 Managing the Contract & Supplier Relationships

Once a contract is signed, it is important to ensure its successful implementation and to manage the relationship with suppliers successfully. This Module focuses on the main approaches to managing a contract, as well as the roles and responsibilities of the contract management team involved.

It covers issues such forming the contract management team, the various kinds of information to be included in a contract management plan, main indicators of contract performance and how to deal with risks. It also discusses contract review reports and meetings as well as how to deal with changes and variations in contracts.

The importance of good supplier relationship management is emphasised and advice is given on how to handle claims and resolving disputes. The main differences between operational and project contract management are also highlighted.



Unit 1 Introduction

Unit Summary

This unit examines the different approaches that can be taken to contract management.

Learning Objectives

- ◆ Describe three main issues that determine your approach to managing a contract

Unit Contents

- ◆ 1.1 The purpose of managing the contract
- ◆ 1.2 How to manage a contract

Unit 2 Forming Contract Management Teams

Unit Summary

This Unit discusses the forming of contract management teams to manage project or large and complex contracts and other large and complex contracts. It also describes some of the roles and responsibilities of the contract manager.

Learning Objectives

- ◆ Identify the main issues involved in setting up contract management teams
- ◆ Describe the main roles and responsibilities of the contract manager
- ◆ Define the main skills and competencies required to manage a contract management team

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 The contract manager
- ◆ 2.3 Contract management teams
- ◆ 2.4 Teamwork

Unit 3

Preparing the Contract Management Plan

Unit Summary

This Unit identifies and describes the various kinds of information to be included in a contract management plan, including information relating to timeliness, costs and quality. It also contains sample schedules and forms to be used to record these types of information.

Learning Objectives

- ◆ *Identify and describe the various kinds of information to be included in a contract management plan*
- ◆ *Outline the policies and procedures that may apply to a contract management plan*
- ◆ *Develop a contract schedule*
- ◆ *Describe the different provisions to be considered when developing a contract budget*
- ◆ *List what should be included in a contract quality plan*
- ◆ *Define priorities for the implementation of the contract management plan using the Supply Positioning Model*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 General contract and strategy information
- ◆ 3.3 Policy and procedures
- ◆ 3.4 The contract schedule
- ◆ 3.5 The contract budget
- ◆ 3.6 The contract quality plan
- ◆ 3.7 Communicating priorities
- ◆ 3.8 Conclusion

Unit 4 Preparing the Risk Register

Unit Summary

This Unit identifies and describes the main risks associated with the implementation of a contract and outlines how to prepare a “risk register”.

Learning Objectives

- ◆ *Identify and describe the main risks associated with the implementation of a contract*
- ◆ *Prepare a risk register*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Schedule risks
- ◆ 4.3 Cost risks
- ◆ 4.4 Quality risks
- ◆ 4.5 Commercial and other risks
- ◆ 4.6 The contract risk register

Unit 5 Monitoring and Measuring Performance

Unit Summary

This Unit deals with how to measure the main indicators of contract performance over time. It also explains the concepts behind contract review reports and contract review meetings.

Learning Objectives

- ◆ *Identify and describe and apply the main indicators of monitoring contract performance*
- ◆ *Use an integrated approach for monitoring performance*
- ◆ *Measure progress against schedule and take action to redress any delays and minimise their impact*
- ◆ *Measure cost performance against the contract and take action to reduce cost overruns*
- ◆ *Measure quality conformance against the contract and take action to minimise the impact of quality problems*
- ◆ *Draft a contract review report and organise contract review meetings*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 Measuring and communicating performance
- ◆ 5.3 Managing time
- ◆ 5.4 Managing cost
- ◆ 5.5 Managing quality
- ◆ 5.6 Contract review meetings

Unit 6 Contract Administration and Review

Unit Summary

This Unit describes the main actions related to administering the contract and the main issues to consider when being faced with variations and changes in the contract.

Learning Objectives

- ◆ *Describe the main activities related to contract administration*
- ◆ *Define the main issues to consider regarding variations and changes in the contract*
- ◆ *Outline the points to remember regarding payment*
- ◆ *Describe actions relating to contract administration at and beyond completion of the contract*

Unit Contents

- ◆ 6.1 Introduction
- ◆ 6.2 General contract administration
- ◆ 6.3 Variations and change control
- ◆ 6.4 Making payment
- ◆ 6.5 Administration at and beyond contract completion
- ◆ 6.6 Contract reviews

Unit 7 Relationship Management, Disputes and Termination

Unit Summary

This Unit covers the main issues relating to managing co-operative relationships with suppliers. It also outlines issues that may be the subject of contractual claims and disputes and how to deal with these.

Learning Objectives

- ◆ *Describe the main issues relating to managing co-operative relationships with suppliers*
- ◆ *Describe the main techniques that can be used to solve problems between the buyer and the supplier*
- ◆ *Define the main approaches to dealing with claims and contractual disputes*

Unit Contents

- ◆ 7.1 Introduction
- ◆ 7.2 Managing co-operative relationships
- ◆ 7.3 Problem-solving techniques
- ◆ 7.4 Handling claims and resolving disputes
- ◆ 7.5 Termination

Unit 8 Operational Contract Management

Unit Summary

This Unit outlines the main factors to consider in operational contract management, and how these differ from project contract management.

Learning Objectives

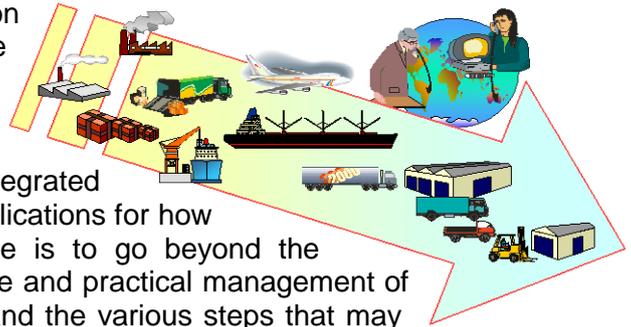
- ◆ *Outline the main factors to consider in operational contract management, and how these differ from project contract management*
- ◆ *Describe how the Line of Balance method can be used to set and monitor progress of repetitive project activities*
- ◆ *Describe how to build desired operational supply strategies into the contract implementation*
- ◆ *Outline the main issues to consider in extending the contract and in managing the transition phase from an old to a new supplier*

Unit Contents

- ◆ 8.1 Introduction
- ◆ 8.2 Differences with projects
- ◆ 8.3 Line of Balance
- ◆ 8.4 Operational supply strategies
- ◆ 8.5 Managing service level
- ◆ 8.6 Contract renewal vs. switching

Module 10 Managing Logistics in the Supply Chain

With the advances in communication and information technologies, the deregulation of markets and the liberalisation of global trade, companies have the opportunity to see the world as a potential market or source of supply. However, to reap the benefits of such an opportunity they need to be able to integrate and perform internationally. This has important implications for how logistics is managed. The scope of this Module is to go beyond the standard study of logistics—intended as the science and practical management of the supply of materials – to examine and understand the various steps that may help enterprises integrate international supply chains.



The Module examines how enterprises may develop strategies to achieve competitive advantage. It explains how internal and external integration are necessary to add value to the logistics and supply chain, and increase responsiveness (with reduced costs), improve quality and enhance delivery. It focuses on the importance of developing strategic relationships and alliances with commercial partners and strengthens the necessity of sound, reliable top-down but also bottom-up information systems. It underlies how crucial it is for enterprises to respond with agility and adaptability to their customers' needs and align accordingly so that they improve their performance.

The Module uses a series of concepts and models to help in grasping economic, political, managerial and operational issues relating to both supply chain management and logistics. The Module also addresses information technology and review future trends for supply chain management.

Unit 1 Introduction

Unit Summary

Unit 1 describes what logistics is, its importance in supply chain management and its operational as well as strategic responsibilities. It briefly examines the role of Internet and how it impacts on the world of logistics, and provides an overview of the future of logistics.

Learning Objectives

- ◆ *Define the concept of logistics*
- ◆ *Describe the operational and strategic responsibilities of logistics*
- ◆ *Explain the role of logistics in managing the supply chain*

Unit Contents

- ◆ 1.1 What is logistics?
- ◆ 1.2 Logistics and the supply chain
- ◆ 1.3 What this module covers

Unit 2 Strategic Issues

Unit Summary

The key difference between supply chain management and logistics is that logistics is a planning system and structure that tries to develop a single plan for the flow of produce and information through a business. Supply chain management enhances this idea and tries to create coordination between the processes of the other supply chain members. Its foundation is based on satisfying the end customer through reliable and responsive flows of materials and accurate flow of information.

This Unit examines the strategies proposed to reach this end, including achieving enhanced competitive advantage, globalisation and integration. Cost-value added and supply structures (including partnerships) are also examined.

Learning Objectives

- ◆ *Define the main strategic supply chain issues*
- ◆ *Explain the main approaches to supply chain strategy, and the factors to consider in each case*
- ◆ *Determine when to pursue a supply alliance, and list the stages and factors to consider in this regard*

Unit Contents

- ◆ 2.1 Overview
- ◆ 2.2 Logistics and supply chain strategy
- ◆ 2.3 Lean philosophy, JIT and agile supply
- ◆ 2.4 Supply chain strategy and performance
- ◆ 2.5 Developing supply chain strategy
- ◆ 2.6 Supply chain structures
- ◆ 2.7 Summary of strategic issues

Unit 3 Customer Value

Unit Summary

Product-markets are becoming increasingly commoditized. The only way that an organisation can differentiate its offer is by adding services that customers find useful and attractive. The logistics function often provides the main regular interface between a company and its customers and suppliers.

The focus of this Unit is to explore customer value and how to improve products and services for customers using supply chain management techniques. Customer value, customer service elements, customer retention as well as pricing, costs and profit issues are topics examined throughout the Unit.

Learning Objectives

- ◆ *Define the concept of customer value*
- ◆ *Describe the different customer service elements*
- ◆ *Explain the advantage of customer retention*
- ◆ *Explain the differences between price, cost and profit*
- ◆ *Explain the importance of stakeholder expectations in measuring performance*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 What is customer value?
- ◆ 3.3 Customer service
- ◆ 3.4 Pricing, cost and profit issues
- ◆ 3.5 Summary

Unit 4**Operational Issues****Unit Summary**

The industry to which a company belongs influences the functional stages of its supply chain, including its logistics activities. However, a number of common supply chain drivers apply in most situations. The drivers described in this Unit cover inventory, transportation and warehousing operations.

Inventory policy, types, costs and systems such as materials requirement planning (MRP), distribution requirements planning (DRP) JIT inventory management are explored. Transportation costs including inter-stores transport, handling operations and deliveries are examined. Warehouse design and location are also reviewed.

Learning Objectives

- ◆ *Identify the main operational issues to be dealt with in transportation, warehousing & inventory management*
- ◆ *Define the main approaches to inventory management*
- ◆ *Describe the issues to consider when deciding on delivery frequency and vehicle routing options*
- ◆ *Identify the factors and methods to consider when determining the location and site of warehouses*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Inventory
- ◆ 4.3 Transportation
- ◆ 4.4 Warehousing
- ◆ 4.5 Summary of operational issues

Unit 5 International Issues

Unit Summary

The world is opening up through increased accessibility, boundaries are becoming less important and markets are expanding. Operating in a global environment offers both opportunities and challenges. This Unit briefly examines the drivers of globalisation (markets, technology, costs, political and economic forces) as well as the related opportunities and risks that companies need to manage. Fundamental import processes are reviewed.

Learning Objectives

- ◆ *Define the forces of globalisation*
- ◆ *Describe the challenges of operating in a global environment*
- ◆ *Explain the advantages and disadvantages of global operations and possible solutions/precautions*
- ◆ *Describe the main operations involved in exporting /importing*

Unit Contents

- ◆ 5.1 Globalisation
- ◆ 5.2 Challenges & issues in internationalisation
- ◆ 5.3 Trade-offs in the international context
- ◆ 5.4 Import and export practice
- ◆ 5.5 Summary of international issues

Unit 6 Information Technology

Information is the basis of appropriate decision-making throughout the supply chain, including information on customer demand, inventory levels, production capacity and shipping.

This Unit explores the supply chain information systems used to gather and analyse information and the types of technology and systems integration for exchanging information. Legacy systems. Enterprise-wide Resource Planning Systems (ERP), analytical applications, bar coding and scanning, satellite technology, geographic information systems, Electronic Data Interchange (EDI) and the Internet as well as access opportunities are reviewed.

Learning Objectives

- ◆ *Define the concept of information technology in the context of managing the supply chain. And how it has evolved to date*
- ◆ *Explain why accurate and timely data is important for effective and efficient supply chain management*
- ◆ *Describe the impact and benefits of using different IT applications and technologies in managing the supply chain*

Unit Contents

- ◆ 6.1 Information within the supply chain
- ◆ 6.2 Gathering supply chain information
- ◆ 6.3 Analysing supply chain information
- ◆ 6.4 Exchanging supply chain information
- ◆ 6.5 Accessing supply chain & technology
- ◆ 6.6 Summary

Unit 7 The Future

Unit 7 looks at the future trends that can be expected within the previously defined areas, in particular environmental, global and technological changes.

Learning Objectives

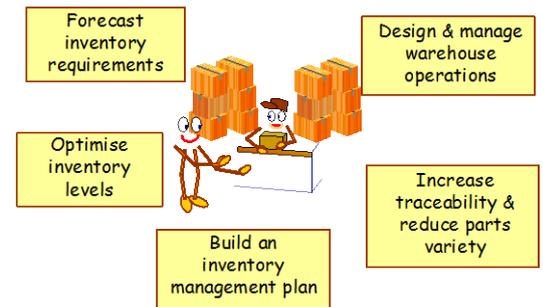
- ◆ *Determine the major forces affecting the future of logistics and supply chain management*
- ◆ *List some of the key issues considered by a supply chain or logistics manager when thinking of the future*
- ◆ *Explain the key trends identified by managers that will shape supply chain management*
- ◆ *Describe ways to manage supply chains in an uncertain and changing world*

Unit Contents

- ◆ 7.1 The Future of SCM
- ◆ 7.2 Major forces shaping the future of SCM
- ◆ Key issues in the future of SCM
- ◆ Managing the future supply chain
- ◆ Summary

Module 11 Managing Inventory

This Module examines the operational and strategic management of inventories and the role of inventory management in improving the competitiveness of an enterprise. It explains the most important practical aspects associated with inventory management from warehouse design and operations through forecasting requirements and parts variety reduction to evaluating inventory practices and building an inventory management plan of action



Efficient management of inventories, wherever they accumulate, is an essential part of the reduction of an enterprise's working capital requirements. The reader will be able to optimise inventory levels, understand how to achieve internal and external customer service levels, plan to minimise error rates and work to achieve international quality and traceability standards.

Unit 1

Introduction

Unit Summary

Inventory is defined in supply management as the “stored accumulation of material resources to be used in a transformation process”. This Unit examines what inventory management is and whether it is important and necessary to keep inventory. It reviews the cost of holding or not holding inventory, as well as what type of inventory to keep and where in the supply chain. Finally, the Unit explores the role and responsibilities of the inventory manager.

Learning Objectives

- ◆ *Describe what inventory management is and the reasons why it is important for an enterprise to manage its inventories*
- ◆ *Define the major types of inventory that are to be found in an enterprise and the reasons for their existence*
- ◆ *Make a case for reducing unnecessary variety in inputs. Describe the importance of the supply chain perspective when managing inventory*
- ◆ *Describe the impact of inventory on the financial health of an enterprise*
- ◆ *Map out where inventory accumulates in your organisation*
- ◆ *Describe the role of an inventory manager*

Unit Contents

- ◆ 1.1 What is inventory management
- ◆ 1.2 Why is inventory management important
- ◆ 1.3 Why keep inventory
- ◆ 1.4 How much inventory to keep
- ◆ 1.5 Financial implications of holding inventory
- ◆ 1.6 Cost of not holding enough inventory
- ◆ 1.7 The role of the inventory manager
- ◆ 1.8 What this module covers

Unit 2 Warehouse and Inventory Operations

Unit Summary

The Unit outlines how inventory fits in to supply chain strategy. It describes the main approaches to demand forecasting in inventory management as well as key issues relevant to reducing lead-time uncertainty and therefore also inventory levels. Finally, it highlights the links between managing inventory and enterprise resource management systems such as ERP, MRP, DRP and JIT.

Learning Objectives

- ◆ *Explain the role of inventory within the context of supply chain strategy*
- ◆ *Outline the main approaches to demand forecasting and its relevance to inventory management*
- ◆ *Describe the main issues and approaches to reducing lead-time uncertainty and also, thus, inventory levels*
- ◆ *Describe the links to inventory management of enterprise resource management systems such as ERP, MRP, DRP and JIT*

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 Inventory management & SC strategy
- ◆ 2.3 Demand forecasting
- ◆ 2.4 Lead-time management
- ◆ 2.5 Enterprise resource management (ERM)

Unit 3 Inventory Planning

Unit Summary

This Unit focuses on critical planning issues such as service level policies and safety stock, inventory categorisation models, traceability and variety reduction in inventory, developing an effective stock coding system, inventory insurance, using inventory as collateral for loans, developing an action plan for improving inventory management based on key performance measures and preparing a plan to recover from disasters affecting inventory.

Learning Objectives

- ◆ *Analyse, suggest and apply an appropriate service level policy for a company's internal and external customers, linked to a safety stock policy for minimising inventory holdings*
- ◆ *Categorise inventory using ABC analysis, the Supply Positional Model and other techniques*
- ◆ *Describe measures that can be taken to ensure traceability and variety reduction in inventories*

- ◆ *Outline the basis for applying an effective stock coding system*
- ◆ *Describe the main issues relating to inventory insurance and using inventory as security for loans*
- ◆ *Critically review a company's inventory management operations and formulate an action plan for their improvement based on key performance measures*
- ◆ *Prepare a plan to recover from disasters affecting inventory*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 Service level policies
- ◆ 3.3 Categorisation techniques
- ◆ 3.4 Traceability & variety reduction
- ◆ 3.5 Coding systems
- ◆ 3.6 Insurance
- ◆ 3.7 Debenture or loan security clauses
- ◆ 3.8 The inventory management plan
- ◆ 3.9 Disaster recovery planning

Unit 4 Inventory Operations

Unit Summary

This Unit deals with the information needed for effective inventory management, methods of inventory valuation, the steps to be taken issuing and receiving stock, the main types of inventory replenishment determining appropriate levels of safety stock.

Learning Objectives

- ◆ *Define the information needed to manage inventories effectively*
- ◆ *Describe and apply the five methods of inventory valuation*
- ◆ *Identify the steps to be undertaken in the issue and receipt of stock*
- ◆ *Describe the three main types of inventory replenishment systems*
- ◆ *Know how to determine the most cost-effective order quantity under different circumstance, and describe the assumptions and limitations of methods for doing this*
- ◆ *Describe and apply the calculations to determine the level of safety stock under both the re-order level and the periodic review inventory replenishment systems*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Monitoring movements
- ◆ 4.3 Measuring & valuation of inventory
- ◆ 4.4 receipt & issue of inventory
- ◆ 4.5 Systems to replenish inventory
- ◆ 4.6 How much to order
- ◆ 4.7 When to place an order

Unit 5 Warehousing Systems

Unit Summary

This Unit looks into the location, design and equipping of warehouses. It describes the main warehouse operations, requirements and transactions, as well as methods of collecting transaction data. Finally, it identifies the main ISO quality management standards that apply to the handling, storage, packaging, preservation and delivery of goods.

Learning Objectives

- ◆ *Establish when a warehouse is needed to support the type of operations envisaged by an enterprise*
- ◆ *Determine the main warehouse location and design features to achieve maximum efficiency and minimise cost, and identify which types of plant, fixtures and equipment will be required*
- ◆ *Identify the main warehouse operations and requirements relating to loading, unloading, storing, order picking and disposal*
- ◆ *Describe the main types of inventory transaction records and the methods of collecting and processing transaction data, including through the use of computer-based systems, bar codes and radio-frequency tagging*
- ◆ *Identify the main ISO quality management standards that apply to the handling, storage, packaging, preservation and delivery of goods*

Unit Contents

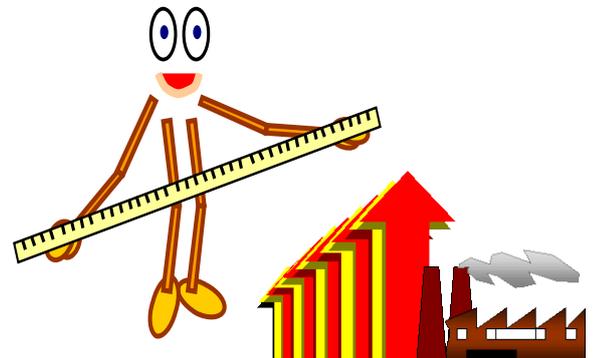
- ◆ 5.1 Introduction
- ◆ 5.2 Warehouse location and acquisition options
- ◆ 5.3 Warehouse design
- ◆ 5.4 Warehouse layout
- ◆ 5.5 Materials handling and equipment
- ◆ 5.6 Warehouse operations
- ◆ 5.7 Record keeping and communication
- ◆ 5.8 International quality standards

Module 12 **Measuring and Evaluating Performance**

This Module focuses on how to measure performance. This is a key area that must not be neglected as it is the basis for continued improvement. The Module has a dual approach in introducing this key area. The emphasis is on measuring performance in both purchasing & supply at the enterprise level and in Supply Chain Management (SCM) at the level of all members of a supply chain.

The Module will give you practical advice on what and how to measure and evaluate your performance.

It includes various examples of specific measurements that you could either use as shown or adapted to your own environment.



Unit 1

Introduction

Unit Summary

Evaluating performance is an essential part of the management process. This applies to any area of management, not just purchasing & supply. The purpose of performance evaluation in purchasing & supply is to understand and continuously improve the way in which the function works and the results that it achieves.

Learning Objectives

- ◆ *Explain the purposes and effects of evaluating purchasing & supply performance*
- ◆ *Describe which are the requirements of a good purchasing & supply performance evaluation system*

Unit Contents

- ◆ 1.1 Why evaluate performance?
- ◆ 1.2 What makes a good evaluation system?
- ◆ 1.3 The behavioural impact of evaluating performance
- ◆ 1.4 Overview of the module

Unit 2**The Performance Evaluation Process & Model Framework****Unit Summary**

This Unit describes the evaluation process and introduces a model purchasing & supply performance management system. It outlines the main performance areas to be considered.

Learning Objectives

- ◆ *Outline the various stages in the performance evaluation process*
- ◆ *Explain how performance evaluation is critically linked to the purchasing & supply objectives*
- ◆ *Describe how to define the scope of a purchasing & supply performance evaluation*
- ◆ *Describe the main performance areas and issues relating to the function's desired outcomes, its internal management systems and people, and the external factors that have an impact on the way it works*

Unit Contents

- ◆ 2.1 Managing the process of performance evaluation
- ◆ 2.2 Purchasing & supply objectives
- ◆ 2.3 The scope of the evaluation
- ◆ 2.4 The purchasing & supply performance management model
- ◆ 2.5 Performance related to outcomes
- ◆ 2.6 Performance related to internal factors
- ◆ 2.7 Performance related to external factors
- ◆ 2.8 Conclusion and refocusing on suppliers

Unit 3**Performance Measures and Targets****Unit Summary**

This Unit provides a detailed presentation of how to develop performance indicators, measures and targets. A range of sample indicators / measures and targets is given.

Learning Objectives

- ◆ *Describe the reasons for measuring performance, the different kinds of performance indicators & measures, and their sources*
- ◆ *Explain how and why targets are set, and the requirements for a good target*
- ◆ *Give specific examples of performance indicators / measures and targets that apply for evaluating performance at the levels of outcomes, internal factors and external factors*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 More on measures
- ◆ 3.3 Targeting targets
- ◆ 3.4 More examples of measures & targets
- ◆ 3.5 Evaluating supplier performance

Unit 4 Implementing the Evaluation

Unit Summary

This Unit describes the process of collecting the measurement data. It shows how this data can be analysed and reported, and how to get the required feedback.

Learning Objectives

- ◆ *Describe how to collect the required measurement data and ensure its accuracy*
- ◆ *Explain the main issues involved in analysing and interpreting the measurement data*
- ◆ *Describe how to report on the results of the performance evaluation and obtain and use the required feedback*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Collecting the measurement data
- ◆ 4.3 Analysing and interpreting the data
- ◆ 4.4 Communicating and obtaining feedback on the performance evaluation
- ◆ 4.5 Conclusion

Unit 5 Performance Evaluation of Integrated Supply Chain Management

Unit Summary

This Unit provides an overview of how performance could be measured beyond an individual enterprise, at the level of a supply chain. It emphasises that many of the evaluation principles discussed in the previous Units also apply to SCM. At the same time, it explains the unique characteristics of performance measurement in the supply chain.

Learning Objectives

- ◆ *Outline the various stages in the performance evaluation process*
- ◆ *Explain how performance evaluation is critically linked to the purchasing & supply objectives*
- ◆ *Describe how to define the scope of a purchasing & supply performance evaluation*
- ◆ *Describe the main performance areas and issues relating to the function's desired outcomes, its internal management systems and people, and the external factors that have an impact on the way it works*

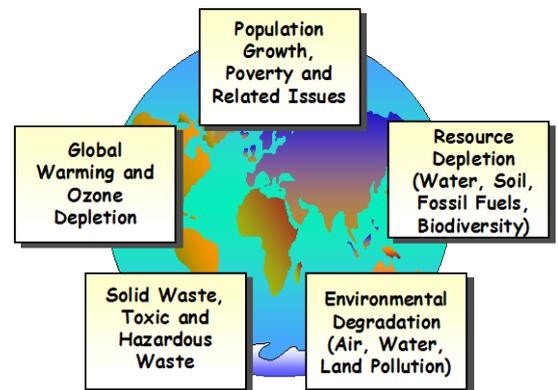
Unit Contents

- ◆ 5.1 Complexity of supply chain performance measurement
- ◆ 5.2 The need for a performance measurement system in SCM
- ◆ 5.3 Guidelines for developing a supply chain performance evaluation system
- ◆ 5.4 SCM performance evaluation process
- ◆ 5.5 Models of SCM performance evaluation
- ◆ 5.6 Conclusion

Module 13 Environmental Procurement

Protecting the environment, ensuring cleaner production and aiming at sustainable development have been growing issues during the last decade and will go on being particularly relevant to businesses.

This Module gives an overview of how global trends have resulted, among other things, in resource depletion and degradation. It also helps companies to become more conscious of environmental concerns and apply concepts such as cleaner production and green procurement. It outlines how to make environmentally preferable purchasing happen, how to get started and how to establish suitable partnerships in this regard.



It includes various examples as well as annexes to help in assessing the environmental effects of a product or process over the entire period of its life cycle, apply environmental labelling and refer to relevant international agreements.

Unit 1

Why is the Environment Important?

Unit Summary

All business operations take place within the limits of the environment. Take away the environment and all business activities cease. The natural environment is both the source of raw materials and the waste sink for all production processes. To be able to continue to improve business, attention needs to be paid to the very support system that makes economic activities possible, especially in a global environment.

In this Unit issues such as population growth, poverty, resource depletion and environmental degradation are dealt with. Ecological concepts and environmental principles to guide sustainable development are examined.

Learning Objectives

- ◆ *Understand the rationale for the entire module on Environmentally Preferable Purchasing*
- ◆ *Identify and describe global environmental trends*
- ◆ *Define sustainable development*
- ◆ *Understand ecological concepts and environmental principles that guide sustainable development*

Unit Contents

- ◆ 1.1 Introduction
- ◆ 1.2 Global trends
- ◆ 1.3 New directions
- ◆ 1.4 A new definition of development
- ◆ 1.5 Ecological concepts and environmental principles to guide sustainable development
- ◆ 1.6 Taking action

Unit 2

What Does Purchasing Have to Do with the Environment?

Unit Summary

This Unit explains how nowadays, while facing increased competition, companies need to be producing *more* with *less* meaning more quality goods and services with less cost, less waste, less material resources and less negative impact to humans and the environment. The Unit thus introduces to concepts such as cleaner production and environmentally preferable purchasing (green purchasing).

Learning Objectives

- ◆ *Appreciate the trends that are driving production and consumption (including purchasing) practices of companies and organizations towards being more environmentally responsible*
- ◆ *Become familiar with the concept and benefits of Cleaner Production to the organization and to the public in general*
- ◆ *Understand how his/her purchasing decision can spur wider adoption of Cleaner Production*

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 Why it cannot remain business as usual
- ◆ 2.3 Cleaner production and sustainable consumption: Concepts, principles and benefits
- ◆ 2.4 Environmentally preferable purchasing (green procurement) in the context of cleaner production
- ◆ 2.5 Greening the supply chain

Unit 3

How Do I Make Environmentally Preferable Purchasing Happen?

Unit Summary

This Unit aims at helping organisations to tackle and implement the process of making environmentally preferable purchasing happen. It deals with issues such as: reviewing purchasing operations, steps to be taken towards environmentally preferable purchasing (specifications, costs, market research, quality) and provides guiding principles.

Learning Objectives

- ◆ *Identify the different stages in purchasing and evaluate the options available during each stage for ensuring an eco-efficient purchase*
- ◆ *Identify and explain the guiding principles for making Environmentally Preferable Purchasing and Supply management operational*
- ◆ *Apply the principles of Environmentally Preferable Purchasing*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 Reviewing your purchase operations
- ◆ 3.3 Steps in environmentally preferable purchasing
- ◆ 3.4 Summary of guiding principles

Unit 4

How Do I Evaluate Products and Suppliers?

Unit Summary

This Unit introduces how to use tools such as a Product Attribute Checklist as well as an Environmental Performance Matrix to evaluate whether a product can be considered green. It also guides on how to make the overall supply chain greener through creating collaborative partnerships, enhancing environmental procurement, improving product specifications, and evaluating and certifying suppliers. It also introduces environmental standards, criteria and management systems for suppliers and deals with toxic and hazardous substances. It finishes with a review of key concepts relating to purchasing and the environment.

Learning Objectives

- ◆ *Identify the five steps for developing a Product Attribute Checklist*
- ◆ *Identify the five steps for developing an Environmental Attribute Matrix for a Product*
- ◆ *Evaluate the environmental performance of your supplier*
- ◆ *Apply the concepts previously studied to different products*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 The product attribute checklist
- ◆ 4.3 The environmental attribute matrix
- ◆ 4.4 Supplier's environmental performance
- ◆ 4.5 Toxic and hazardous substances
- ◆ 4.6 Review of concepts

Unit 5 How Do I Get Started?

Unit Summary

This Unit is directed at helping organisations to assess their readiness to start an environmentally preferable purchasing programme (EPP), assess their current purchasing practices, and design and implement the EPP.

Learning Objectives

- ◆ *Apply new knowledge on Environmentally Preferable Purchasing to benefit the organization*
- ◆ *Make use of the specific Environmentally Preferable Purchasing tools / checklists provided in the earlier unit*
- ◆ *Guide him /her to set up such a program which is appropriate to the organization's needs*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 Organisational readiness
- ◆ 5.3 Assessing current purchasing and supply practices
- ◆ 5.4 Designing and implementing an environmental purchasing and supply program

Annexes

1. Life Cycle Assessment
2. Environmental Labelling
3. International Agreements
4. Toxic and Hazardous Substances
5. Environmental Attributes for Selected Products
6. Additional Resources

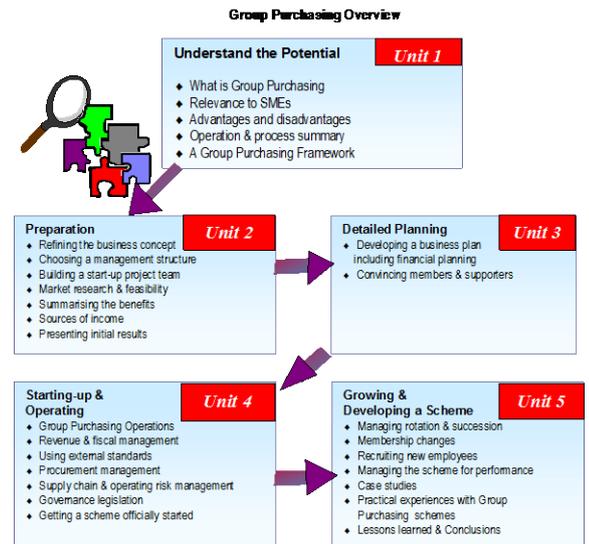
References Cited

Glossary

Module 14 Group Purchasing

Group purchasing schemes can bring significant benefits for both buyers and suppliers. This Module aims to explain the business case for group purchasing with a special focus on the potential for small and medium sized enterprises.

It illustrates how a project team can prepare and plan a group purchasing scheme, and outlines criteria for choosing the most appropriate structure, how to start a scheme and manage group purchasing operations. The final part of the Module gives important tips about managing the development and growth of a scheme and evaluating its performance. It concludes with some case studies based on actual group purchasing schemes.



Unit 1

Understand the Potential for Group Purchasing Schemes

Unit Summary

Group Purchasing means pooling purchasing needs of various companies to achieve a better response from suppliers. It can reduce input costs, release management time from tedious administration activities and improve the quality of service received from suppliers. This Unit introduces the concept of group purchasing, its relevance for SMEs, and the role of Internet technology. It also provides a series of examples of group purchasing.

Learning Objectives

- ◆ Explain what Group Purchasing is and the services that a scheme can provide
- ◆ Describe how Group Purchasing can help your business, its advantages and limitations
- ◆ Define the impact and benefits of Internet technology on Group Purchasing operations
- ◆ Understand the issues involved with implementing and managing a Group Purchasing scheme

Unit Contents

- ◆ 1.1 What is group purchasing
- ◆ 1.2 Relevance of group purchasing to SMEs
- ◆ 1.3 internet technology in group purchasing
- ◆ 1.4 Examples of group purchasing
- ◆ 1.5 Operations and process summary
- ◆ 1.6 Structure of group purchasing module

Unit 2 Preparation

Unit Summary

Setting-up a group purchasing scheme is comparable to creating a new business. A business idea needs to be developed, market research and analysis need to be carried out, and a business plan including a detailed budget needs to be drawn up. These are the features on which this Unit focuses, including related contractual arrangements, creating a project team and carrying out feasibility analyses.

Learning Objectives

- ◆ *Understand different business concepts of Group Purchasing schemes*
- ◆ *Build a project team or steering group*
- ◆ *Define your business idea on Group Purchasing and the management structure that will be most appropriate for your circumstances*
- ◆ *Carry out market research and a feasibility analysis*

Unit Contents

- ◆ 2.1 Overview
- ◆ 2.2 The business concept and management structure
- ◆ 2.3 Building a start-up project team
- ◆ 2.4 Market research, feasibility analysis & developing the business concept
- ◆ 2.5 Presentation of results

Unit 3 Detailed Planning

Unit Summary

This Unit focuses on how to use the findings from the process described in Unit 2 to draft the business plan, including the business idea in terms of services and products to be pooled, the mission, purpose and objectives of the group purchasing scheme, the organisational arrangements and management structure, personnel and other resource requirements as well as financial forecasts in terms of costs, revenues and cash need.

Learning Objectives

- ◆ *Establish a complete business plan for the start-up of a Group Purchasing scheme*
- ◆ *Elaborate a financial plan for the start-up phase (budget, cash needs)*
- ◆ *Present and promote your idea to potential members*

Unit Contents

- ◆ 3.1 Overview
- ◆ 3.2 Developing a business plan
- ◆ 3.3 Convincing potential members and suppliers

Unit 4 Starting Up & Operating a Scheme

Unit Summary

This Unit outlines on how Group Purchasing is essentially about outsourcing part of the procurement activities and how important the commitment of the members to operating and administering the scheme in an effective manner is essential. It deals with the responsibilities of the scheme operator, the operational control systems as well as the capacity of dealing with risk management. It also focuses on good revenue and fiscal management, procurement management and compliance with governance legislation.

Learning Objectives

- ◆ *Implement the structure and mechanisms to permit the first orders to pass through a scheme*
- ◆ *Manage the day-to-day running of a scheme*
- ◆ *Deal with disputes, admit and release members*
- ◆ *Compile reports, develop suppliers and customers*
- ◆ *Plan the growth and future development of a scheme*

Unit Contents

- ◆ 4.1 Overview
- ◆ 4.2 Group purchasing operations
- ◆ 4.3 Revenue and fiscal management
- ◆ 4.4 Procurement management
- ◆ 4.5 Supply chain and operating risk management
- ◆ 4.6 Compliance with governance legislation
- ◆ 4.7 Getting a scheme officially started

Unit 5 Growing & Developing a Scheme

Unit Summary

This Unit examines the question of how to develop and grow a scheme after it has been successfully established and formalised. It covers topics like management rotation and succession, changes to membership, creating different classes of member and user and publicising a scheme. It provides some tips about managing a scheme for performance and gives information on practical experiences with Group Purchasing. These are documented in selected articles and case studies.

Learning Objectives

- ◆ *Develop the scheme into a group operation*
- ◆ *Manage membership in a changing environment*
- ◆ *Evaluate the performance of a scheme and enhance it*
- ◆ *Analyse the practical experiences of enterprises*

Unit Contents

- ◆ 5.1 Overview
- ◆ 5.2 Management rotation and succession
- ◆ 5.3 Membership changes
- ◆ 5.4 Recruiting new employees for the scheme
- ◆ 5.5 Managing the scheme for performance
- ◆ 5.6 Case studies
- ◆ 5.7 Practical experiences with group purchasing schemes
- ◆ 5.8 Lessons learned & conclusions

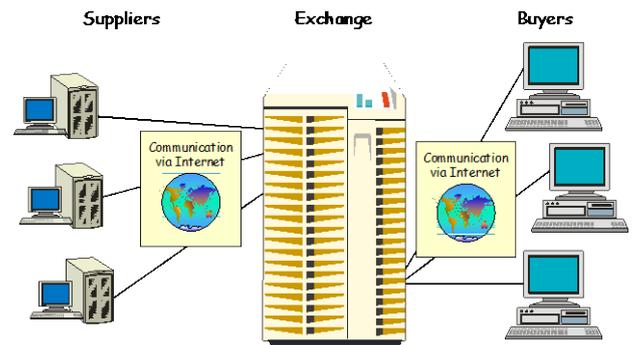
Annexes

- 1: Supplier Evaluation
- 2: Total Life Cycle Cost Evaluator
- 3: Cost Decomposition

Module 15 E-Procurement

This Module aims to provide an understanding of what e-procurement is, how it can be of value to purchasing organisations, and how to introduce it into a company.

The Module is conceived as a step-by-step practical guide. It provides an overview of how e-procurement has emerged and how it has evolved into its present-day role of strategic importance in supply chain management in a more and more global business environment. It compares the traditional and the e-procurement approaches. It demystifies the landscape by explaining all the major types of e-procurement tools including catalogues, Internet trading exchanges or e-marketplaces, online auctions and e-sourcing. The module is also dedicated to provide guidelines on how to assess e-procurement needs, develop an e-procurement strategy, and select the right e-procurement solution and implement an e-procurement initiative.



Unit 1

What is E-Procurement?

Unit Summary

Unit 1 explains what e-procurement is by describing how it has emerged with the development and increasing sophistication of purchasing and supply management practices. It explains how e-procurement has evolved into its present-day role of strategic importance in supply chain management.

Learning Objectives

- ◆ Define the meaning of e-procurement
- ◆ Explain how e-procurement has evolved to the present day
- ◆ List and explain the main phases in the evolution of e-procurement strategy
- ◆ Understand the role and importance of e-procurement as a strategy in Supply Chain Management

Unit Contents

- ◆ 1.1 Introduction
- ◆ 1.2 Business trends that have contributed to the development of e-procurement
- ◆ 1.3 The development of supplier-buyer relationships
- ◆ 1.4 International competition and the rise of procurement technologies
- ◆ 1.5 E-Procurement and Supply Chain Management

Unit 2

Why Develop an E-Procurement Strategy?

Unit Summary

This Unit addresses the question of why it is beneficial to develop an e-procurement strategy. It starts by considering different categories of purchase items and the particular characteristics associated with their procurement. It then considers the limitations of traditional, manual procurement processes. By explaining how e-procurement differs from traditional procurement, the key performance benefits of e-procurement become apparent.

Learning Objectives

- ◆ *Identify different categories of purchases and understand the important distinctions between them*
- ◆ *Map the steps in a manual procurement process*
- ◆ *Assess the limitations of a manual procurement process*
- ◆ *Explain how e-procurement differs from manual procurement*
- ◆ *Identify the key performance benefits that accrue from e-procurement*

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 Categories of purchases
- ◆ 2.3 The traditional manual process of procurement
- ◆ 2.4 Limitations to the traditional model of procurement
- ◆ 2.5 How e-procurement differs from manual procurement
- ◆ 2.6 The advantages of e-procurement
- ◆ 2.7 The benefits of e-procurement are not guaranteed or automatic

Unit 3

Understanding E-Procurement Tools and Transactions

Unit Summary

The next Unit provides a guide to the main systems and tools encountered in the world of e-procurement, in particular catalogues, internet exchanges, auctions and RFQs (Requests For Quotations). The Unit goes on to consider the relative merits of each tool, and to identify the types of procurement situation for which each tool is best suited. Finally, the Unit also examines the main types of operator in e-procurement transactions and the pros and cons of the different transaction models that they offer.

Learning Objectives

- ◆ *Identify and explain the main tools used by organisations engaged in e-procurement*
- ◆ *Distinguish the relative merits of different e-procurement tools*
- ◆ *Describe the main types of operators in e-procurement solutions, the roles that they play and the advantages and disadvantages of the different transaction models they provide*

Unit Contents

- ◆ 3.1 Introduction to E-Procurement Tools and Transactions
- ◆ 3.2 E-Procurement Tools
- ◆ 3.3 Types of Operator in E-Procurement Transactions

Unit 4

Preparing an E-Procurement Strategy

Unit Summary

Now that the foundations of understanding procurement have been established, this Unit provides a step-by-step guide to developing an e-procurement strategy. It covers several key stages, including assessing the environment, setting objectives, preparing a business case, reviewing current procurement processes, assessing the readiness of suppliers and customers and finalising the e-procurement strategy.

Learning Objectives

- ◆ *Assess whether external conditions such as infrastructure and industry conditions are favourable for the development of an e-procurement strategy*
- ◆ *Set objectives for e-procurement strategy, aligning them with purchasing strategy and corporate strategy*
- ◆ *Prepare a business case for e-procurement in your company*
- ◆ *Review and reengineer your current procurement processes*
- ◆ *Assess the extent to which your extended enterprise – suppliers and customers – is e-enabled*
- ◆ *Finalise your e-procurement strategy*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Preparing for E-Procurement
 - Step 1: Assess the External Infrastructure and Industry Conditions
- ◆ 4.3 Preparing for E-Procurement
 - Step 2: Setting Objectives for E-Procurement Strategy – Alignment with Purchasing Strategy and Corporate Strategy
- ◆ 4.4 Preparing for E-Procurement
 - Step 3: Establishing the Business Case for E-procurement in your Company
- ◆ 4.5 Preparing for E-Procurement
 - Step 4: Reviewing and Reengineering Current Procurement Processes
- ◆ 4.6 Preparing for E-Procurement
 - Step 5: Assess the Extended Enterprise: Suppliers and Customers
- ◆ 4.7 Preparing for E-Procurement
 - Step 6: Finalising the E-Procurement Strategy

Unit 5**Selecting E-Procurement Solutions and Vendors****Unit Summary**

This Unit sets out guidelines to assist managers involved in the selection and purchase of e-procurement solutions. It provides advice on identifying the tools that are required, developing selection criteria, assessing the available solutions and vendors, preparing an RFP (request for proposals), selecting a preferred vendor and negotiating terms. It also examines the question of whether to outsource e-procurement systems or develop them in-house.

Learning Objectives

- ◆ *Determine whether in-house development or outsourcing is a better option for your company*
- ◆ *Identify the main categories of e-procurement tools you will need*
- ◆ *Prepare a list of solution selection criteria that will identify the solutions and vendors that best meet your needs*
- ◆ *Conduct an assessment of solutions, vendors and e-marketplaces in order to create a shortlist*
- ◆ *Prepare an RFP for solutions vendors*
- ◆ *Apply selection criteria to vendor proposals to identify a preferred vendor*
- ◆ *Negotiate and agree terms with the preferred vendor*

Unit Contents

- ◆ 5.1 Introduction to Selecting an E-Procurement Solution
- ◆ 5.2 Build or Buy?
- ◆ 5.3 Matching E-Procurement Needs to Tools
- ◆ 5.4 Selection Criteria for E-Procurement Solutions
- ◆ 5.5 Market Evaluation and Initial Shortlist
- ◆ 5.6 Obtaining Offers and Selecting Vendors

Unit 6 Implementing E-Procurement

Unit Summary

In this Unit, several key aspects of e-procurement implementation are addressed: communications planning, change management, performance measurement and the impact that e-procurement will have on the purchasing department.

Learning Objectives

- ◆ *Explain the importance of having an implementation plan for your e-procurement initiative*
- ◆ *Prepare a plan for communications and change management in the e-procurement project*
- ◆ *Develop performance measures that are tailored to your e-procurement initiative*
- ◆ *Identify the likely impacts of e-procurement on your purchasing department*

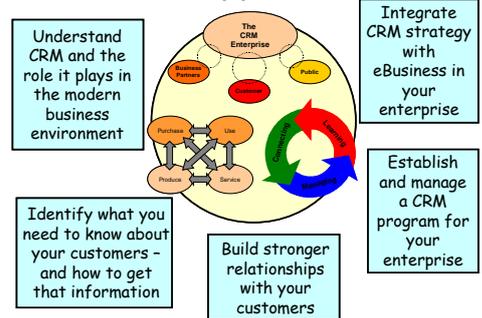
Unit Contents

- ◆ 6.1 Introduction: Implementation Planning
- ◆ 6.2 Communication and Change Management
- ◆ 6.3 Performance Measurement
- ◆ 6.4 The Impact of E-Procurement on the Role of the Purchasing Department
- ◆ 6.5 Conclusion

Module 16 Customer Relationship Management

This Module aims to provide an understanding of what CRM (customer relationship management) is, its significance in the modern business environment, and its impact on the way enterprises perceive their customers. It sets out a framework model of CRM that highlights the three main customer-oriented competencies required to be a successful CRM enterprise. It provides practical guidelines that can be turned into immediate actions by any enterprise. And it sets out advice for the management of CRM programs once they are established.

This Module will help you to:



Unit 1

Introduction

Unit Summary

Unit 1 gives various definitions of CRM. It also provides insights as to why CRM has become necessary and how it has evolved.

Learning Objectives

- ◆ Explain what CRM is in terms of its key elements and purpose
- ◆ Explain the need for CRM in terms of its significance in view of the changing business environment and customer's role

Unit Contents

- ◆ 1.1 What is CRM?
- ◆ 1.2 Why the need for CRM?
- ◆ 1.3 What this module covers

Unit 2

The Model

Unit Summary

This Unit explains how to learn a new language: the language of relationships used in the world of CRM. It breaks down the key terms and processes into their elements and explains them, one by one. The Unit ends with an introduction of a CRM model, which forms the framework for the rest of the module.

Learning Objectives

- ◆ Describe the key elements of a relationship and the process of how to create value in a CRM conversation with the customer
- ◆ Identify the three competencies of CRM and relate them to the CRM Framework

Unit Contents

- ◆ 2.1 The language of CRM
- ◆ 2.2 The exchange space
- ◆ 2.3 The CRM model

Unit 3

Learning

Unit Summary

This Unit focuses on learning about the enterprise's customers. It examines how customers can be grouped into different profiles according to their characteristics, their preferences and their value potential to the enterprise.

Learning Objectives

- ◆ *Define the term customer in terms of their roles and characteristics in the four respective groups of the relationship space*
- ◆ *Identify the customers' needs according to the customers' preference profile and with respect to the extent and means of conversation*
- ◆ *Assess the customers' potential value to the enterprise in all four categories of the customer value profile, which forms the basis of evaluation for CRM programs*

Unit Contents

- ◆ 3.1 Who are our customers?
- ◆ 3.2 What are the customers' expectations?
- ◆ 3.3 What is the customer's value potential?

Unit 4

Connecting

Unit Summary

Unit 4 concerns the relationship between the enterprise and its customers. It addresses what kind of relationship the enterprise intends to build and how to go about developing it via conversation design. It also examines the sensitive area of sharing control in CRM.

Learning Objectives

- ◆ *Describe the nature of customer relationship strategies and define their key components in terms of the four relationship styles and their respective application*
- ◆ *Identify the main considerations in conversation design, elaborate as to why listening is the difficult factor, and suggest how this can be addressed*
- ◆ *Explain why control sharing is important and how to plan for it in terms of the five key areas of control sharing*

Unit Contents

- ◆ 4.1 What is the target relationship?
- ◆ 4.2 How to develop the relationship?
- ◆ 4.3 How to share control?

Unit 5 Managing

Unit Summary

This Unit covers the major functions an enterprise must perform in managing its CRM initiatives. It addresses the 'how to' in organisational design, execution, change management and performance measurement.

Learning Objectives

- ◆ *Describe how each of the different customer groups perceives the enterprise, and explain the nature of the “conversation space” in CRM*
- ◆ *Identify the three critical factors of organisational design for a CRM enterprise and thereafter elaborate on the impact of the organisational leadership styles*
- ◆ *Identify the four types of enterprise situations and explain the appropriate change methods that can be applied in each case*
- ◆ *Identify the tools available for measurement of CRM performance and understand how to select the right measures to use*

Unit Contents

- ◆ 5.1 What is our identity?
- ◆ 5.2 How to organise for CRM?
- ◆ 5.3 How to execute the change?
- ◆ 5.4 How to measure performance?

Unit 6 e-Business

Unit Summary

This last Unit takes a look at the subject of CRM in the context of e-Business and how e-Business in turn relates to an organisation's business strategy.

Learning Objectives

- ◆ *Define what is e-Business as compared to e-Commerce*
- ◆ *Explain CRM in the context of e-Business*
- ◆ *Describe the action plans of the various key areas of e-Business*
- ◆ *Identify the critical success factors for CRM in e-Business*

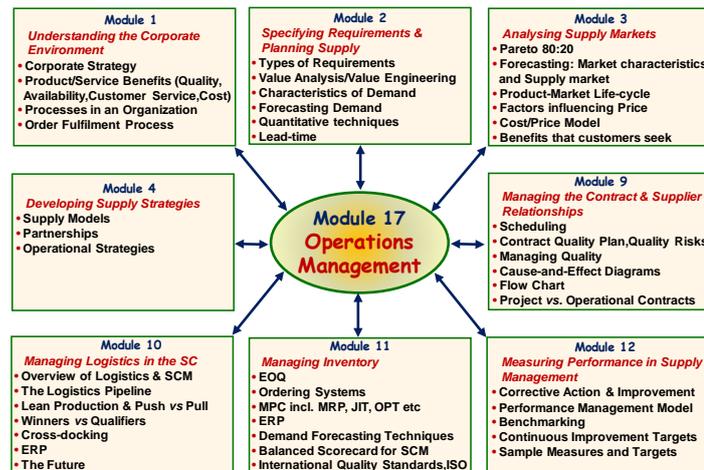
Unit Contents

- ◆ 6.1 What is e-business and why is it important?
- ◆ 6.2 How is CRM related to e-business?
- ◆ 6.3 CRM in relation to strategy and change?

Module 17 Operations Management

The focus of this module is on fundamental principles and concepts that will enable you to gain a thorough understanding of operations management and to assist you in becoming a better manager.

The module examines the impact and importance of operations management in organizations and the key role that it plays in improving productivity and competitiveness. The operations function is often at the heart of most organizations and interfaces closely with most other functional areas, notably Purchasing & Supply Chain Management and Marketing. Topics covered include Quality Management, Product and Process design, Facility Location and Layout, Operations Planning and Control and Supply Chain Management.



Unit 1

Introduction

Unit Summary

Unit 1 introduces operations management, important concepts, trends and role of operations management in society

Learning Objectives

- ◆ *Appreciate the importance of operations management.*
- ◆ *Understand the concepts of inputs, transformation processes, outputs and value-added.*
- ◆ *Distinguish between goods and services.*
- ◆ *Compare manufacturing and service operations.*
- ◆ *Recognize important trends in operations management.*
- ◆ *Appreciate how operations management can contribute to the enhancement of society.*

Unit Contents

- ◆ 1.1 What is Operations Management?
- ◆ 1.2 The Transformation Model
- ◆ 1.3 Products (Goods and Services)
- ◆ 1.4 Important Trends in Operations Management
- ◆ 1.5 The Role of Operations Management in Society
- ◆ 1.6 Conclusion
- ◆ 1.7 What this Module Covers

Unit 2 Operations Strategy

Unit Summary

The second unit considers operations from a systems perspective and explores operations strategy and its importance to the organization. The Operations Strategy must give the business a competitive advantage by continuously improving the quality of its products as well as improving productivity.

Learning Objectives

- ◆ *Understand the concept of business strategy.*
- ◆ *Explain the strategic planning process and the differences between strategic, tactical and operations planning.*
- ◆ *Appreciate operations from a systems perspective.*
- ◆ *Recognize the importance of operations strategy.*
- ◆ *Describe the key criteria/distinctive competencies.*
- ◆ *Distinguish between order qualifiers and order winners.*
- ◆ *Appreciate the concept of the balanced scorecard when formulating strategies.*

Unit Contents

- ◆ 2.1 Operations from a Systems Perspective
- ◆ 2.2 Strategic Planning: Corporate / Business Strategy
- ◆ 2.3 Operations Strategy
- ◆ 2.4 Levels of Management and Decision-making
- ◆ 2.5 Order Qualifiers and Order Winners
- ◆ 2.6 The Balanced Scorecard
- ◆ 2.7 Operations Objectives: Key Competencies
- ◆ 2.8 Trade-offs between Key Competencies
- ◆ 2.9 Productivity
- ◆ 2.10 Conclusion

Unit 3 Managing Quality

Unit Summary

This Unit provides an overview of the different aspects of quality that one would encounter in the business world today. It includes not only Total Quality Management (TQM) but Six Sigma quality. Quality Management Systems, the Quality Gurus and tools for quality improvement are also covered.

Learning Objectives

- ◆ *Understand the importance of quality and the considerable benefits of high quality.*
- ◆ *Appreciate the variety of quality definitions and the many dimensions of quality of both goods and services.*
- ◆ *Acknowledge the critical role of the quality gurus in the evolution of quality.*

- ◆ *Explain the concepts of total quality management and continuous improvement.*
- ◆ *Describe the various tools that can be used for analyzing and improving quality and the role of statistical quality control.*
- ◆ *Appreciate ISO 9000 and ISO 14000 management systems.*
- ◆ *Recognize the significance of six sigma quality.*

Unit Contents

- ◆ 3.1 The Importance of Quality
- ◆ 3.2 Definition of Quality
- ◆ 3.3 Benefits of High Quality
- ◆ 3.4 The Evolution of Quality
- ◆ 3.5 The Quality Gurus
- ◆ 3.6 The Costs of Quality
- ◆ 3.7 Total Quality Management (TQM)
- ◆ 3.8 Continuous Improvement
- ◆ 3.9 The Tools of QC/Statistical Process Control (SPC)
- ◆ 3.10 Statistical Process Control
- ◆ 3.11 Quality Management Systems: ISO 9000
- ◆ 3.12 Quality Awards
- ◆ 3.13 Beyond TQM: Six Sigma Quality
- ◆ 3.14 Conclusion

Unit 4

Product and Process Design

Unit Summary

This unit considers the design and development of new products (goods and services). The second part covers process design and process types used in both manufacturing and services.

Learning Objectives

- ◆ *Understand the importance of new product development in gaining a sustainable competitive advantage.*
- ◆ *Describe the product life cycle.*
- ◆ *Appreciate the environment of concept generation.*
- ◆ *Understand the stages in the design of new products.*
- ◆ *Distinguish between the different process types in both manufacturing and services.*
- ◆ *Explain the characteristics of the different processes.*

Unit Contents

- ◆ 4.1 Product Design: The Development of New Products
- ◆ 4.2 Product Life Cycle
- ◆ 4.3 Concept Generation: The Development of New Products
- ◆ 4.4 Other Important Aspects in Product Design
- ◆ 4.5 Process Design: Types of Processes
- ◆ 4.6 Manufacturing Processes
- ◆ 4.7 Service Processes
- ◆ 4.8 Conclusion

Unit 5**Location and Layout****Unit Summary**

The fifth unit discusses the importance of the location decision and methods to evaluate locations. In the second part, the different types of layout are described.

Learning Objectives

- ◆ *Appreciate the critical importance and significance of the location decision.*
- ◆ *Understand the factors to be considered in the location decision.*
- ◆ *Explain the different techniques used to evaluate alternative locations.*
- ◆ *Appreciate the importance of layout.*
- ◆ *Describe the different types of layout in both manufacturing and services.*
- ◆ *Appreciate the benefits of Group Technology and Cellular manufacturing.*

Unit Contents

- ◆ 5.1 Location: Introduction
- ◆ 5.2 The Importance of Location
- ◆ 5.3 Location Decisions: Factors to be Considered
- ◆ 5.4 Evaluation of Location
- ◆ 5.5 Layout
- ◆ 5.6 Flexible Manufacturing Systems (FMS)
- ◆ 5.7 Service Layouts
- ◆ 5.8 Designing Layouts
- ◆ 5.9 Conclusion

Unit 6**Operations Planning and Control****Unit Summary**

Operations Planning and Control (OPC) is discussed in this unit as well demand and supply and aggregate planning.

Learning Objectives

- ◆ *Appreciate the importance of successful operations planning and control (OPC).*
- ◆ *Realize the value of forecasting and describe the different approaches to forecasting.*
- ◆ *Explain the significance of and distinction between independent vs. dependent demand in OPC.*
- ◆ *Appreciate capacity constraints and capacity management.*
- ◆ *Understand the importance of Aggregate Planning and the Master Production Schedule.*
- ◆ *Describe Scheduling, Loading and Sequencing.*
- ◆ *Appreciate inventory planning.*

Unit Contents

- ◆ 6.1 Introduction to Operations Planning & Control: Balancing Supply with Demand
- ◆ 6.2 Forecasting
- ◆ 6.3 Independent and Dependent Demand
- ◆ 6.4 Capacity Management
- ◆ 6.5 Aggregate Planning (or Aggregate Scheduling)
- ◆ 6.6 Scheduling, Loading, Sequencing and Expediting
- ◆ 6.7 Inventory Planning
- ◆ 6.8 Conclusion

Unit 7 Managing Inventory

Unit Summary

Unit 7 looks at the role and importance of inventories and the control of inventory. Independent demand versus Dependent demand is also discussed.

Learning Objectives

- ◆ *Appreciate the importance of effective inventory management.*
- ◆ *Understand the different reasons for holding inventory and the different types of inventory.*
- ◆ *Describe the different costs of inventory.*
- ◆ *Realize the significance of independent and dependent demand in inventory control systems.*
- ◆ *Be aware of the concept of the Economic Order Quantity and its limitations.*
- ◆ *Describe the different inventory systems based on independent demand.*
- ◆ *Explain techniques used for classifying and controlling inventory.*

Unit Contents

- ◆ 7.1 Introduction
- ◆ 7.2 Reasons for Holding Inventory
- ◆ 7.3 Types of Inventory
- ◆ 7.4 The Costs of Inventory
- ◆ 7.5 Inventory Systems based on Independent Demand and Dependent Demand
- ◆ 7.6 The Economic Order Quantity (EOQ) Model
- ◆ 7.7 Fixed-Order Quantity (Q) System
- ◆ 7.8 Fixed-time Period (P) Systems
- ◆ 7.9 Inventory Control
- ◆ 7.10 Conclusion

Unit 8 MRP and ERP

Unit Summary

This unit covers materials requirements planning, manufacturing resources planning and enterprise resources planning.

Learning Objectives

- ◆ *Appreciate the significance of dependent demand and material requirements planning in operations planning and control.*
- ◆ *Understand the essentials of material requirements planning.*
- ◆ *Perform an MRP calculation.*

- ◆ *Explain the difference between material requirements planning (MRP) and Manufacturing Resources Planning (MRP II).*
- ◆ *Appreciate the potential of ERP*

Unit Contents

- ◆ 8.1 Introduction
- ◆ 8.2 Material Requirements Planning (MRP or MRP I)
- ◆ 8.3 Manufacturing Resources Planning (MRP II)
- ◆ 8.4 Enterprise Resources Planning
- ◆ 8.5 Conclusion

Unit 9 Just-In-Time and Lean Systems

Unit Summary

The ninth unit examines the importance and benefits of JIT and Lean systems in all organizations. This unit explores the philosophy and elements of JIT, the kanban system, JIT in services and Maintenance.

Learning Objectives

- ◆ *Understand the importance of JIT and Lean Operations and the JIT philosophy.*
- ◆ *Appreciate the foundations of JIT.*
- ◆ *Describe the different types of waste.*
- ◆ *Be aware of the many elements that comprise JIT.*
- ◆ *Understand the impact of JIT & Lean Systems on operations.*
- ◆ *Explain the kanban system.*
- ◆ *Recognize the value of JIT in services.*
- ◆ *Appreciate the benefit of JIT and MRP working in unison.*

Unit Contents

- ◆ 9.1 Introduction to JIT
- ◆ 9.2 Defining JIT
- ◆ 9.3 The Foundations of JIT
- ◆ 9.4 Elimination of Waste
- ◆ 9.5 Continuous Improvement
- ◆ 9.6 Respect for People
- ◆ 9.7 Philosophy of JIT: Comparison with Traditional Systems
- ◆ 9.8 Maintenance
- ◆ 9.9 Benefits of JIT
- ◆ 9.10 Conclusion

Unit 10 Supply Chain Management

Unit Summary

The final module looks at the development of supply chain management, its impact on operations management and the benefits of effective supply chain management.

Learning Objectives

- ◆ *Appreciate the evolution of supply chain management.*
- ◆ *Understand the fundamentals and flows of supply chain management.*
- ◆ *Recognize the significance of strategic supply chain management.*
- ◆ *Discuss the major developments that are influencing supply chain management.*
- ◆ *Explain Return on Investment and supply chain profit leverage.*
- ◆ *Discuss the benefits of supply chain management.*

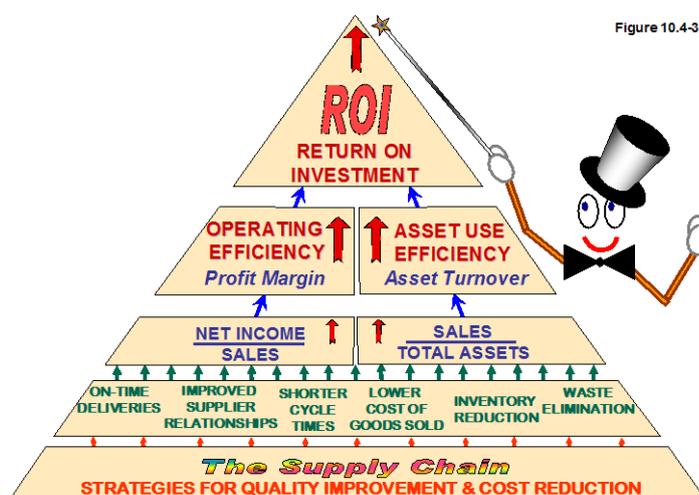
Unit Contents

- ◆ 10.1 Introduction
- ◆ 10.2 The Fundamentals of Supply Chain Management
- ◆ 10.3 Strategic Supply Chain Management
- ◆ 10.4 Other Important Factors in Supply Chain Management
- ◆ 10.5 Supply Chain Profit Leverage
- ◆ 10.6 Greening the Supply Chain – the Reprocessing Flow
- ◆ 10.7 The Sustainable Supply Chain
- ◆ 10.8 Conclusion

Module 18 Managing Finance along the Supply Chain

Accordingly, the emphasis of this Module is on finance from the viewpoint of trade i.e. the management of money, banking, working capital, credit, assets & investments as well as other commercial activities that are related to international trade and which facilitate exports and imports.

This Coursebook takes the reader through the details of trade finance, the assessment of financial needs, financing techniques and the methods of payment, selecting the appropriate financial institution and examples of specific transactions. Finally the module looks at the substantial impact of purchasing and supply chain management on the profitability of an organization and provides managers with the techniques to demonstrate this impact by reducing costs and obtaining the best financial solution.



Unit 1

Finance and Supply Chain Management

Unit Summary

Unit 1 outlines the major aspects of Trade Finance of a trading organization whether it is an industrial organization producing manufactured goods for both local and export markets or a commercial organization importing and re-exporting after adding some value. These aspects are considered from a supply chain management perspective i.e. from importing or purchasing of raw materials to the final sale to local or overseas organizations.

Learning Objectives

- ◆ *The difference between Investments, Finance and Trade Finance.*
- ◆ *How Finance for Supply Chain (SC) is managed.*
- ◆ *What is involved in assessing the financial needs of an organization.*
- ◆ *The different methods of payment and financing techniques.*
- ◆ *How to plan transactions and identify the right sources of finance.*
- ◆ *The importance of negotiations with financial institutions and legal contracts.*
- ◆ *The financial impact of Supply Chain Management on the profitability of an organization.*

Unit Contents

- ◆ 1.1 Introduction
- ◆ 1.2 Managing Finance - Overview (Unit 2)
- ◆ 1.3 Assessing Financial Needs (Unit 3)

- ◆ 1.4 Methods of Payment (Unit 4)
- ◆ 1.5 Financing Techniques (Unit 5)
- ◆ 1.6 Planning Transactions (Unit 6)
- ◆ 1.7 Identifying the Best Sources of Finance (Unit 7)
- ◆ 1.8 Business Plans and Negotiation with Banks (Unit 8)
- ◆ 1.9 Legal Aspects and their Financial Implications (Unit 9)
- ◆ 1.10 The Potential Impact of SCM on Financial Performance (Unit 10)

Unit 2

Managing Finance – An Overview

Unit Summary

Good trade financial management begins by analysing the needs of the organization during each phase of the production or service cycle. i.e. the purchase, production, stock, sale and payment cycle. This includes how to plan, monitor and reduce expenses, mitigate (reduce) financial risks and to smooth payments to the advantage of the organization. In addition, it matches the needs for finance at each stage of the supply chain either by using internal financial resources or by creating a suitable and well-timed financial cushion by means of short-term lines of credit or an overdraft from banks and financial institutions.

Learning Objectives

- ◆ *Appreciate the finance management function and the extent of its duties.*
- ◆ *Understand financial planning at the investment stage.*
- ◆ *Prepare a cash flow forecast to anticipate financial needs.*
- ◆ *Explain how finance management can help to create the opportunity for a turn-around.*
- ◆ *Understand how to balance shareholders' expectations with an organization's expansion.*
- ◆ *Describe the most important management tools used by finance management.*
- ◆ *Understand and appreciate the importance of a "due diligence report".*

Unit Contents

- ◆ 2.1 Introduction
- ◆ 2.2 The Tasks of the Finance Management Function
- ◆ 2.3 Planning at the Investment Stage
- ◆ 2.4 Ensuring that all Financial Needs are met as required and on time
- ◆ 2.5 Creating the Opportunity for a Turn-around
- ◆ 2.6 Balancing Shareholders Expectations with the Company's Expansion
- ◆ 2.7 The "Paper" Functions: Preparing the Accounts
- ◆ 2.8 The Due Diligence Report
- ◆ 2.9 Conclusion

Unit 3**Assessing an Organization's Financial Needs****Unit Summary**

This Unit considers in the first phase of analysis, the organization's present financial situation and structure. The ultimate goal of this first phase is to both improve and optimize the use of the organization's financial resources which are usually limited and sometimes even scarce.

This Unit also explains in detail how SME managers can assess their organization's financial needs and how to improve their financial structure and ultimately increase their competitiveness.

Learning Objectives

- ◆ Describe a company's short-term and long-term assets.
- ◆ Describe a company's short-term and long-term liabilities.
- ◆ Assess a company's short-term financial needs.
- ◆ Explain how to reduce short-term needs by reducing short-term liabilities and/or improving short-term assets.
- ◆ Assess long-term financial needs and know how best to deal with these.
- ◆ Explain the key role of working capital.

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 Assets and Liabilities, Working Capital and Liquidity
- ◆ 3.3 Assessing the Financial Needs
- ◆ 3.4 Debt-to-Equity Ratio, Sufficient Equity and Adequate Fixed Assets
- ◆ 3.5 Working Capital Requirements
- ◆ 3.6 Conclusion

Unit 4**Methods of Payment****Unit Summary**

This Unit considers the most commonly used methods of payment, analyses the methods by which these payments are carried out and the various types of short-term credit facilities connected with them. Also, the Unit describes in detail how payments can influence the need for credit.

Learning Objectives

- ◆ Describe how payment, finance and credit are closely related.
- ◆ Explain the difference between domestic payments and international payments.
- ◆ Assess what is involved in selecting the appropriate method of payment.

- ◆ *Describe which payments have an influence on your cash flow and which payments are neutral.*
- ◆ *Explain the different methods of payment and their implications.*
- ◆ *Distinguish between the Letter of Credit and the Standby Letter of Credit.*
- ◆ *Describe the different categories of payment risk in international trade.*

Unit Contents

- ◆ 4.1 The Linkage between Payments and Financing
- ◆ 4.2 The Main Methods of Payments
- ◆ 4.3 Local Trading
- ◆ 4.4 International Trading
- ◆ 4.5 International Trade: Payment Risk
- ◆ 4.6 Conclusion

Unit 5

Financing Techniques

Unit Summary

Unit 5 outlines the most commonly used methods of financing and they are described in relation to the relevant phase of the Purchasing/Supply Cycle as well as how to use them at that specific time.

This Unit focuses not only on financing techniques that are more appropriate for local trading, such as Trade credit, Discounting or Short-term banking facilities but also those more suitable for international trading, imports and exports, such as Standby letter of credit, Cash in advance or Forfaiting among others.

In addition this unit will explain the currency risks that may arise in an international transaction and the best way to cover those risks by Hedging currency risks.

Learning Objectives

- ◆ *Explain the financing techniques that are most frequently used in supply chain management.*
- ◆ *Describe financing techniques used in domestic trade.*
- ◆ *Describe financing techniques used in international trade.*
- ◆ *Explain which techniques have a short-term effect and those that have a long-term effect.*
- ◆ *Explain the links between financing techniques and payment methods.*
- ◆ *Assess which techniques are used to mitigate the effects of exchange rate fluctuations and which reduce risks linked with currencies.*
- ◆ *Describe credit risk insurances and guarantees.*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 Local Trading
- ◆ 5.3 International Trading
- ◆ 5.4 Hedging Currency Risks
- ◆ 5.5 Trade Cycle and Finance Instruments
- ◆ 5.6 Conclusion

Unit 6

Planning Transactions

Unit Summary

This unit describes how the most appropriate types of facilities that are required during normal business dealings are selected. The word “facility” is the generic term that bankers like to use to describe a financial product. These may be a short-term credit or anything else that relates to making funds available in one form or another.

Unit 6 will, through examples, illustrate and describe how to structure transactions. It will help managers to select and then apply for the most appropriate finance schemes rather than just leaving it to the banker who will put the bank’s interest first!

Learning Objectives

- ◆ *Explain the basic concepts dealing with the financial aspects of purchasing and selling.*
- ◆ *Explain a simple and logical methodology in this regard to be followed in each situation.*
- ◆ *Describe how to structure the importation of an essential input for manufactured goods.*
- ◆ *Explain how to use a Standby Letter of Credit to secure regular orders from overseas.*
- ◆ *Describe how to start promoting exports using buyers’ credit and Export Credit Insurance to enter new markets.*

Unit Contents

- ◆ 6.1 Introduction
- ◆ 6.2 The Structuring Process
- ◆ 6.3 Examples of Structuring Processes
- ◆ 6.4 Conclusion

Unit 7**Identifying the Best Sources of Finance****Unit Summary**

Usually managers who are responsible for trade finance have to operate within the national context and make the best use of the local financial sector. So the first priority for these managers is to carefully study and then identify the different institutions that exist and the facilities that they can offer. This is covered in Unit 7.

A second set of institutions are those that are not “national” i.e. they are international and usually headquartered outside the country. They are sometimes referred to as “offshore” and details of these institutions will also be covered in Unit 7.

The different types of institution will be described including their characteristics, priorities and the way they operate.

Learning Objectives

- ◆ *Describe how to find the right source of finance and the financial schemes that are available. These can be either local (national) or international, and either for day-to-day use or for exceptional circumstances and needs.*
- ◆ *Identify the different types of local banks and financial institutions and what instruments you can obtain from them.*
- ◆ *Explain what “Off Shore” banks can offer to you either directly or through a network of local banks.*
- ◆ *Describe how to make the best use of Regional Development Finance institutions.*
- ◆ *Explain the mechanisms known as Matching Grant Schemes, Export Credit Insurances and other Development or Promotional Schemes that multilateral or bilateral institutions can offer.*

Unit Contents

- ◆ 7.1 Introduction
- ◆ 7.2 Banks and Similar Financial Institutions
- ◆ 7.3 International Finance, Aid and Donors Institutions
- ◆ 7.4 Conclusion

Unit 8**Business Plans and Negotiation with Banks****Unit Summary**

This unit focuses on how the Finance Manager has to analyse the financial needs of the organization and to present them in a complete, professional and concise manner. The objective is to facilitate negotiations with banks and other financial institutions in order to satisfy their evaluation criteria.

Unit 8 will also describe the tools required to prepare a business plan which is aimed at a constructive and convincing discussion with bankers.

In addition, this Unit includes useful suggestions on what to do in case of default, in case of rescheduling and how to negotiate new terms in case of rescheduling

Finally, it will also detail the security (mortgage or charges) that is usually required to be arranged in favour of financial institutions. In the case of several institutions that may be involved, the more complex concept of “pari passu” will be explained.

Learning Objectives

- ◆ *Prepare a clear background paper of both the company and its key managers to satisfy the bank’s requirements.*
- ◆ *Explain what is required in a business plan and how to prepare a plan that contains all the essential information, including the latest requirements such as the Triple Bottom Line.*
- ◆ *Explain what financial institutions expect from the company and how to create a long-term relationship based on trust.*
- ◆ *Describe the negotiation limits and how to obtain the best possible terms given the circumstances.*
- ◆ *Describe concepts such as collateral, security and guarantees – as these will facilitate the granting of credit.*

Unit Contents

- ◆ 8.1 Introduction
- ◆ 8.2 Presentation to Financial Institutions
- ◆ 8.3 Putting Together the Financial and Commercial Information
- ◆ 8.4 Long-term Planning: the Basis for Financing
- ◆ 8.5 Negotiating with Financial Institutions
- ◆ 8.6 Conclusion

Unit 9

Legal Aspects and their Financial Implications

Unit Summary

The daily actions of the Finance Manager will have, in addition to financial obligations, consequences of a legal nature, for example those defined in legal texts as representations & warranties. Important transactions, especially those involving large financial considerations, are usually put in place by means of contracts. For each type of contract, e.g. short term lending, joint ventures and/or guaranteeing, the structure will remain similar so they will be examined in Unit 9 on the basis of English or US law.

Some of the different types of legal documentation and the different laws that the Finance Manager is likely to come across will also be explained in this unit in order to make him or her fully aware of the various obligations that they may be entering into. These contracts may cover credit transactions as well as payments.

Unit 9 will show the main clauses of a loan agreement as well as the elements that are common to most of them. This Unit will also describe many other contractual arrangements that are common in Trade Finance.

Learning Objectives

- ◆ *Appreciate how the financial facilities that the company needs in day-to-day operations are translated in legal documents.*
- ◆ *Describe the standard clauses of agreements and their financial implications.*
- ◆ *Explain how to limit difficulties when disputes arise.*
- ◆ *Describe how to pay and where to pay in line with the agreement signed.*
- ◆ *Explain how to transfer risk using Incoterms as well the related financial implications.*
- ◆ *Outline the main features of UCP 600 and the International Rules for Documentary Collection.*
- ◆ *Describe the financial implications of a typical credit agreement.*
- ◆ *Explain the issues relating to the choice of applicable Laws and the dispute resolution clauses: Tribunals versus Arbitration.*
- ◆ *Describe the financial implications of claims.*

Unit Contents

- ◆ 9.1 Introduction
- ◆ 9.2 Legal & Financial Implications of Dealing with Supply Chain Partners
- ◆ 9.3 Legal & Financial Implications of Documentary Credits
- ◆ 9.4 Legal & Financial Implications of Bank Loan Facilities
- ◆ 9.5 Limiting the Financial Implications of Claims
- ◆ 9.6 Conclusion

Unit 10**Finance: The Potential Impact of Purchasing and Supply Chain Management*****Unit Summary***

This final unit briefly explores the concept of value-added through the supply chain along with the various flows (materials, information and funds). The profit leverage that can be achieved by exploiting purchasing and supply chain management is discussed and in addition the relatively new financial measures of the balanced scorecard and triple bottom line are described.

Finally this unit describes the Cash to Cash Cycle and some ways of improving financial performance such as discounts.

Learning Objectives

- ◆ *Describe the impact that supply chain management can have on the financial performance of an enterprise.*
- ◆ *Describe the concept of leverage on profit by supply chain management.*
- ◆ *Explain the importance of the Return on Investment (ROI).*
- ◆ *Describe the use of the Du Pont Model to illustrate the potential financial benefits of supply chain management.*
- ◆ *Describe important methods that can be used to achieve cost reductions along the supply chain.*
- ◆ *Explain the use of the cash-to-cash cycle time performance measure.*

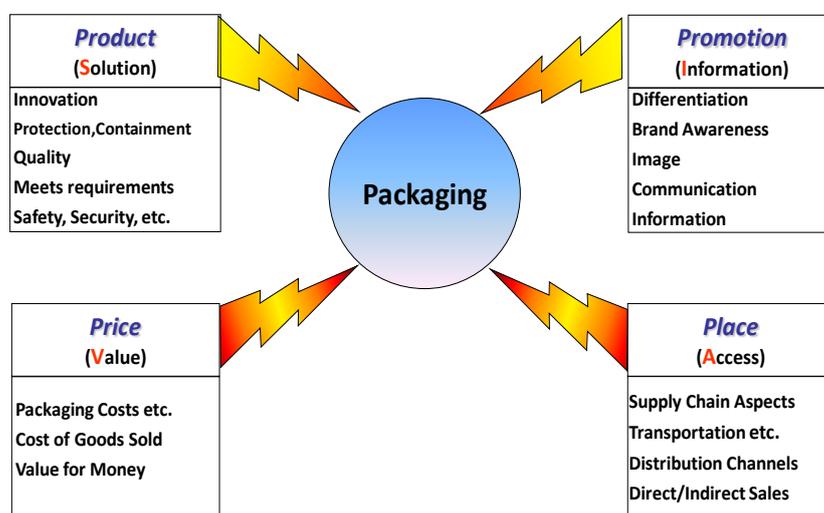
Unit Contents

- ◆ 10.1 Introduction
- ◆ 10.2 SCM Leverage on Profit
- ◆ 10.3 Financial Performance Measures
- ◆ 10.4 Non Financial Performance Measures
- ◆ 10.5 Improving Financial Performance
- ◆ 10.6 Conclusion

Module 19 Packaging in the Supply Chain

The principle objective of this module is to provide professional purchasing and supply chain managers with sufficient knowledge for them to make informed decisions about the choice of packaging. Packaging is a crucial and integral part of all supply chains — especially those involved with the production and distribution of food products and other fast moving consumer goods. Packaging is pervasive since almost everything needs to be packed in one form or the other. Packaging is a mirror of our society — it reflects our needs and wants. And, as these changes over time, so does packaging.

The Relationship between the 4 P's and Packaging



The module also provides the reader with an understanding of many of the technical aspects of packaging including the different types of packaging materials, packaging processes, labelling and traceability. What guides the consumer's hand to take the product off the retailer's shelf, peruse it, and then place it in the shopping trolley? The reuse and recycling of used packaging is a major undertaking in most countries today. It is part and parcel of sustainability — the greatest challenge for all those involved in the packaging of products.

Unit 1

Managing Packaging along the Supply Chain

Unit Summary

This unit introduces the dynamic subject of packaging. It includes the importance of packaging, a timeline of packaging development, definitions of the three basic types of packaging and the crucial role of packaging in food supply chains. In addition, it considers the role of packaging in society and environmental issues. It concludes with a brief description of ITC's integrated export packaging kit - the PACKit modules.

Learning Objectives

- ◆ Understand the importance of packaging.
- ◆ Appreciate the development of packaging.
- ◆ Realise the crucial role of packaging in food supply chains.
- ◆ Define Packaging.
- ◆ Recognise the differences between Primary, Secondary and Tertiary Packaging.
- ◆ Be aware of the role of packaging in society.
- ◆ Appreciate the issues surrounding packaging and the environment.

Unit Contents

- ◆ 1.1 Introduction
- ◆ 1.2 The importance of Packaging
- ◆ 1.3 What is Packaging?
- ◆ 1.4 The Role of Packaging
- ◆ 1.5 Packaging in Food Supply Chains
- ◆ 1.6 ITC Packaging Publications
- ◆ 1.7 What this Module Covers

Unit 2

Packaging Principles

Unit Summary

The second unit introduces readers to the basic principles underlying the choice of packaging:

- The Functions of Packaging
- Demands on Packaging
- Key Criteria in the Selection of Packaging
- Important technical terminology associated with packaging
- This unit also includes a section on the importance of packaging in Marketing including the Four P's.

Learning Objectives

- ◆ *Understand the basic principles underlying packaging.*
- ◆ *Be aware of the demands on packaging.*
- ◆ *Appreciate the key criteria used in the selection of packaging.*
- ◆ *Recognise the crucial role of packaging in supply chain management and especially in distribution.*
- ◆ *Define important technical terminology associated with packaging.*
- ◆ *Understand the general properties of packaging.*
- ◆ *Be aware of what is involved in planning a packaging system.*
- ◆ *Appreciate the crucial role of packaging in the marketing of manufactured goods.*

Unit Contents

- ◆ 2.1 Demands on Packaging
- ◆ 2.2 Key Criteria
- ◆ 2.3 Packaging in marketing
- ◆ 2.4 Packaging Design
- ◆ 2.5 Conclusion

Unit 3 Packaging from a Systems Perspective

Unit Summary

This unit considers packaging from a systems perspective and explores its importance to the organization as well as events and trends that influence packaging:

- Strategic Management and Packaging
- Packaging in relation to Porter's Value Chain
- Packaging and Supply Chain Management
- Packaging Trade-offs
- Packaging Trends.

Learning Objectives

- ◆ *Appreciate packaging with respect to strategic supply chain management.*
- ◆ *Understand the concept of systems perspective.*
- ◆ *Be able to recognise the value of packaging from a systems perspective.*
- ◆ *Appreciate the key role of packaging in supply chain management.*
- ◆ *Recognise the crucial role of packaging in international trade.*
- ◆ *Be aware of Porter's Value Chain with respect to packaging and supply chain management.*
- ◆ *Be familiar with packaging trade-offs.*
- ◆ *Appreciate current trends in packaging.*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 Packaging from a Systems Perspective
- ◆ 3.3 Packaging and SCM
- ◆ 3.4 Packaging and International Trade
- ◆ 3.5 Packaging, SCM & Porter's Value Chain
- ◆ 3.6 Packaging Trade-offs
- ◆ 3.7 Packaging Trends
- ◆ 3.8 Conclusion

Unit 4 Packaging Materials

Unit Summary

This unit will introduce the major packaging materials: paper, glass, metal (aluminium and steel), plastics and wood together with the supply chains for these materials. Examples of major product types are discussed.

Learning Objectives

- ◆ *Be aware of the major types of packaging materials.*
- ◆ *Be familiar with the different types of packages.*
- ◆ *Appreciate the role of packaging materials in the supply chains of manufactured goods.*
- ◆ *Be aware of the importance of flexible packaging especially that of laminates.*
- ◆ *Appreciate the advantages and disadvantages of the various packaging materials.*
- ◆ *Recognise the value of a technical appreciation of the different packaging material.*

Unit Contents

- ◆ 4.1 Introduction
- ◆ 4.2 Paper and Board
- ◆ 4.3 Plastic
- ◆ 4.4 Metal: Aluminium
- ◆ 4.5 Metal: Steel
- ◆ 4.6 Glass
- ◆ 4.7 Wood
- ◆ 4.8 Laminates
- ◆ 4.9 Conclusion

Unit 5 Packaging Processes

Unit Summary

The major packaging processes will be briefly outlined in this Unit. This will include equipment for manufacturing packaging materials, printing methods and packaging line processes such as form-fill-seal (FFS) and aseptic packaging.

Learning Objectives

- ◆ *Appreciate the importance of packaging processes in the internal supply chain of manufacturers.*
- ◆ *Understand some of the major processes used in packaging.*
- ◆ *Appreciate the versatility of form-fill-seal machines.*
- ◆ *Recognise the value of aseptic packaging.*
- ◆ *Be aware of the different printing processes and their importance in packaging.*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 Types of Packaging Processes
- ◆ 5.3 Printing Processes
- ◆ 5.4 Conclusion

Unit 6

Labelling and Traceability - their vital role in supply chain management

Unit Summary

This unit considers the importance of labelling and the vital role of traceability along the supply chain:

- The on-going development of barcodes and RFIDs
- Traceability-its increasing importance
- EU Law regarding traceability.

Learning Objectives

- ◆ *Appreciate the crucial role of labelling in packaging.*
- ◆ *Understand the purpose of labelling in marketing, promotion and communication.*
- ◆ *Be aware of legal and other prescribed aspects of labelling.*
- ◆ *Be aware of the informational aspects of labelling.*
- ◆ *Understand the fundamental requirements of traceability and its increasing importance throughout the world.*
- ◆ *Appreciate the importance of barcodes in SCM and describe how they work.*
- ◆ *Recognise different types of barcodes and describe the main factors that influence the scannability of barcodes.*
- ◆ *Appreciate the important role of labelling of secondary and tertiary packaging along the supply chain.*
- ◆ *Recognise the value of eco-labelling.*

Unit Contents

- ◆ 6.1 Introduction
- ◆ 6.2 The Four Functions of Labelling
- ◆ 6.3 Traceability
- ◆ 6.4 Basics of Barcodes
- ◆ 6.5 Labelling for Exports
- ◆ 6.6 Eco-labelling
- ◆ 6.7 New Developments in Labelling
- ◆ 6.8 Conclusion

Unit 7 Food Packaging

Unit Summary

This unit focuses on the packaging of food and examines crucial aspects that relate to food supply chains. Food security and food safety are discussed. MAP and CAP are explored as well as the treatment of food to eliminate pathogens.

Learning Objectives

- ◆ *Appreciate the multi-dimensional aspects of food packaging.*
- ◆ *Understand the link between food security and packaging.*
- ◆ *Be aware of the important role of HACCP, ISO 22000 and the Codex Alimentarius in food safety.*
- ◆ *Appreciate the importance of the integrity of food products.*
- ◆ *Be aware of the importance of shelf life and techniques to extend the shelf life.*
- ◆ *Understand the importance of food supply chains.*

Unit Contents

- ◆ 7.1 Introduction
- ◆ 7.2 Food Safety
- ◆ 7.3 Protection, Preservation & Integrity of Food
- ◆ 7.4 Elimination of Pathogens
- ◆ 7.5 Packaged Food Safety
- ◆ 7.6 Product Shelf Life
- ◆ 7.7 Packaging and Food Supply Chains
- ◆ 7.8 Conclusion

Unit 8 Non-food Packaging

Unit Summary

This unit covers the packaging of non-food items such as pharmaceutical, cosmetics and industrial goods. In addition, it considers packaging and the transport of hazardous materials (HazMat).

Learning Objectives

- ◆ *Understand the complexity of non-food packaging.*
- ◆ *Understand the use of packaging for pharmaceuticals.*
- ◆ *Appreciate the use of packaging in personal care, cosmetic and household products.*
- ◆ *Recognise the importance of packaging in the supply chains of industrial products.*
- ◆ *Understand the importance of packaging used for hazardous materials and the need for strict controls.*

Unit Contents

- ◆ 8.1 Introduction
- ◆ 8.2 Pharmaceutical and Medical Packaging
- ◆ 8.3 Cosmetic and Personal Care Packaging
- ◆ 8.4 Handicraft Packaging
- ◆ 8.5 Furniture Packaging
- ◆ 8.6 Packaging of Household Chemicals
- ◆ 8.7 Industrial Packaging
- ◆ 8.8 Packaging for Hazardous Products
- ◆ 8.9 Conclusion

Unit 9

Packaging and Sustainability

Unit Summary

The final unit considers sustainability as a major challenge to the packaging industry. Topics include:

- The concepts of sustainability and sustainable packaging
- Systems Perspective of sustainable packaging and supply chains
- Life Cycle Assessment and Carbon footprint
- Reduce, Reuse, Recycle, etc.
- Metrics for packaging and sustainability
- Sustainability and its impact on future trends in packaging.

Learning Objectives

- ◆ *Appreciate the concept of sustainability.*
- ◆ *Understand the complexity of sustainable packaging.*
- ◆ *Understand the key roles of packaging and supply chains in achieving sustainability goals.*
- ◆ *Recognise the value of a systems perspective of packaging and sustainability.*
- ◆ *Understand the interdependence of packaging and supply chains.*
- ◆ *Appreciate the development of techniques to measure sustainability.*
- ◆ *Be familiar with probable future trends of packaging.*

Unit Contents

- ◆ 9.1 Introduction
- ◆ 9.2 Sustainability and Packaging
- ◆ 9.3 A Systems Perspective
- ◆ 9.4 Sustainability Concepts & Packaging
- ◆ 9.5 Reduce, Reuse, Recycle
- ◆ 9.6 More Metrics
- ◆ 9.7 Future Trends & Conclusion

Annex:

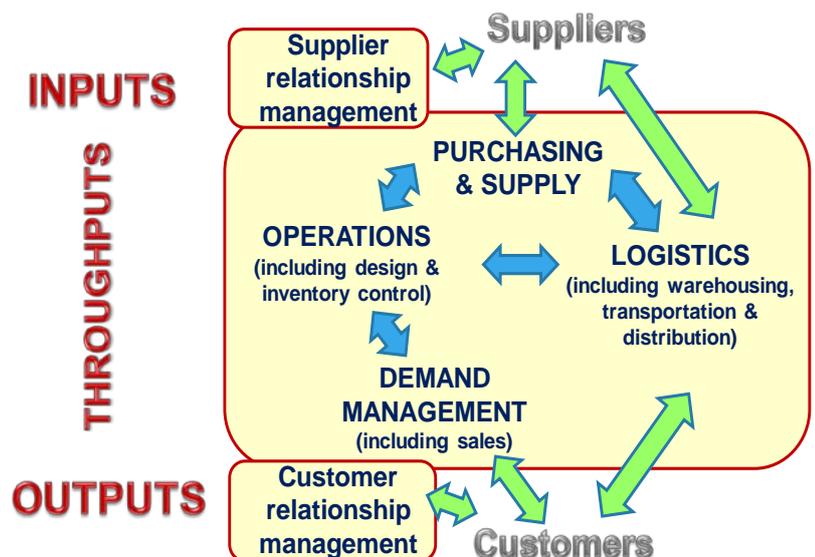
1. List of current PACKit Modules

SME Training Pack

Supply Chain Management for SMEs

This Module aims to help the leader of an Small and Medium-sized Enterprise (SME) to better manage his or her business's supply chain processes by dealing effectively with all of the following areas:

1. Understand supply chains & the importance of effective supply chain management (SCM) for SMEs
2. Set SCM objectives & strategies
3. Assess and manage demand
4. Manage the business's operations
5. Manage purchasing & supply
6. Manage the logistics processes
7. Manage the business's relations with its supply chain partners
8. Understand the supply chain technologies that are relevant to the business
9. Understand how to monitor and assess the business's supply chain performance.



Unit 1

Supply Chains and SMEs

Unit Summary

This unit introduces the concept of supply chains and how they involve SMEs.

Learning Objectives

- ◆ Describe what supply chains are, as well as their main components and features.
- ◆ Explain what is meant by “supply chain as a system” and by “supply networks”.
- ◆ Describe the different flows that make up a supply chain.
- ◆ Explain what is meant by reverse supply chains.
- ◆ Describe some of the key factors driving the development of supply chains today and how they affect SMEs.
- ◆ Explain how supply chains may be governed, and how some supply chain members assume leadership roles in a chain.
- ◆ Describe what is meant by an SME, the importance of SMEs to national economies, and how SMEs fit into supply chains.

Unit Contents

- ◆ 1.1 You & your Business
- ◆ 1.2 What are Supply Chains?
- ◆ 1.3 Factors Driving SC Development
- ◆ 1.4 Supply Chain Governance
- ◆ 1.5 SMEs in the Supply Chain
- ◆ 1.6 Key Points to Remember
- ◆ 1.7 The Rest of this Module

Unit 2

Supply Chain Management Objectives and Strategy

Unit Summary

Supply chain management offers a modern, integrated approach to dealing with what were previously often disjointed business functions operating within enterprises with no common sense of direction despite being parts of the same supply chains. SCM involves developing coherent, compatible supply chain objectives and strategies across all members of a supply chain. This has implications for managing both an individual business's supply chain operations as well as for managing the supply chain as a whole. At the individual enterprise level, SCM strategy needs to support the business's overall objectives as well as its product-market development strategies.

In addition to discussing alternative supply chain strategies – which will depend on the types of products and / or services offered as well as the nature of the supply chains – this Unit also deals with strategies for pricing, financing, managing supply chain risk, making supply chains sustainable, supply chain collaboration amongst SMEs, and developing ICT support to supply chain operations. It concludes by reviewing the process for setting priorities for strategy development.

Learning Objectives

- ◆ *Describe supply chain management (SCM), its evolution and the main conditions needed for it to be effective.*
- ◆ *Explain SCM objectives and the links between these and high-level business objectives.*
- ◆ *Explain SCM strategies and the different approaches to strategy depending on the nature of the product or service being provided and the degree of stability of the supply chain.*
- ◆ *Describe some sound and unsound pricing strategies.*
- ◆ *Explain the strategies for financing supply chain operations.*
- ◆ *Highlight the main strategic issues relating to managing supply chain risk.*
- ◆ *Describe strategies for supply chain sustainability.*
- ◆ *Explain the main issues and approaches relating to supply chain collaboration amongst SMEs.*
- ◆ *Describe effective approaches to prioritising the development of SCM strategies.*

Unit Contents

- ◆ 2.1 SCM – What it is
- ◆ 2.2 SCM Objectives
- ◆ 2.3 Core SCM Strategies
- ◆ 2.4 Pricing Strategies
- ◆ 2.5 Strategies for financing SC Operations
- ◆ 2.6 Strategies for managing SC Risks
- ◆ 2.7 Strategies for making SCs sustainable
- ◆ 2.8 Strategies for Collaboration
- ◆ 2.9 ICTs support to SC Strategy
- ◆ 2.10 Priorities for SCM Strategy
- ◆ 2.11 Key Points to Remember

Unit 3

Understanding the Marketplace

Unit Summary

Demand and supply are the essential components of a marketplace, and many different factors influence how these two elements develop. In addition to considering these issues, this Unit looks into market forecasting techniques and discusses how SMEs can best operate in market situations involving varying degrees of competition.

It also reviews other market-related issues such as product-market life cycles, market segmentation, and how to obtain, analyse and use information to succeed in the marketplace. It concludes by examining the “push” and “pull” approaches to managing a supply chain’s response to customer demand, and how demand can be “created” through innovation and through better understanding potential customers’ untapped motivations and desires.

Learning Objectives

- ◆ *Describe the main factors that influence demand and supply, and how these two essentials of the market interact.*
- ◆ *Explain the main features of some of the most important market forecasting methods, their applications and their limitations.*
- ◆ *Describe the most important types of markets on the basis of their degrees of competition, and how to sell and buy in competitive and restrictive markets.*
- ◆ *Describe the life cycle of a product-market.*
- ◆ *Explain what is meant by market segmentation, and the main aspects to consider when segmenting customer and supply markets.*
- ◆ *Explain the value of obtaining and using good market and business information, and how to identify the best sources of such information.*
- ◆ *Describe the importance of information in managing a supply chain’s response to demand, and the potential for success through creating demand.*

Unit Contents

- ◆ 3.1 Introduction
- ◆ 3.2 Demand and Supply
- ◆ 3.3 Market Forecasting
- ◆ 3.4 Competition in the Marketplace
- ◆ 3.5 Production Market Life Cycles
- ◆ 3.6 Segmenting Markets
- ◆ 3.7 Market Information
- ◆ 3.8 Responding to Demand
- ◆ 3.9 Key Points to Remember

Unit 4

Managing Operations

Unit Summary

The key objective of operations management (OM) is to develop an enterprise's "Big Six" competencies – quality, reliability, responsiveness, agility, service to customers and cost / price. OM also contributes to success through the design & development of new products, services and processes.

In addition to examining these issues, this Unit reviews the main manufacturing and service processes typically used by enterprises, highlighting the importance of good location and good layout. It looks into key issues relating to operations planning and control, such as the different production strategies for balancing supply with demand, capacity management, aggregate planning, the Master Production Schedule (MPS), and systems for managing inventories of independent and dependent demand items. An important focus is how to manage and reduce risks, costs and lead times.

Some of the fundamental operational matters covered in this Unit include: continuous (fixed quantity) and periodic (fixed time period) reordering systems; the economic order quantity (EOQ); MRP and MRP II; ERP; and Just-in-Time / lean systems. It closes with a review of maintenance management – essential to preventing failure and reducing risk.

Learning Objectives

- ◆ *Describe the Big Six competencies that attract customers and constitute the key objective of operations management.*
- ◆ *Describe the critical importance of quality, and outline the main approaches to quality management.*
- ◆ *Explain the importance of design and development and how this takes place in a business.*
- ◆ *Outline the features of the main manufacturing and service processes.*
- ◆ *Provide details on the main issues to consider and methods to use when selecting a good location for a business's operations.*
- ◆ *Explain the different options for manufacturing and service layouts, and the principal methods that can be used when designing layouts.*
- ◆ *Describe a business's strategic options for carrying out production and for organising its operations to meet customer demand.*
- ◆ *Outline the main issues concerning capacity management.*

- ◆ *Describe aggregate planning and the Master Production Schedule, and the links between these.*
- ◆ *Explain the different systems for managing inventories of items with independent demand – including issues relating to reordering, order quantities, managing risk, inventory classification and stocktaking.*
- ◆ *Explain the different systems for planning and controlling production and for managing inventories of items with dependent demand, including MRP, MRP II and ERP.*
- ◆ *Describe just-in-time and lean systems, outlining the main elements of the JIT philosophy and how the kanban system works.*
- ◆ *Explain the importance of maintenance and its five categories.*

Unit Contents

- ◆ 4.1 Main Objective of OM
- ◆ 4.2 Managing Quality
- ◆ 4.3 Design and Development
- ◆ 4.4 Manufacturing Processes
- ◆ 4.5 Service Processes
- ◆ 4.6 Location
- ◆ 4.7 Layout
- ◆ 4.8 Operations Planning and Control
- ◆ 4.9 Managing Inventory
- ◆ 4.10 MRP and ERP
- ◆ 4.11 JIT and Lean Systems
- ◆ 4.12 Maintenance
- ◆ 4.13 Key Points to Remember

Unit 5

Managing Purchasing and Supply

Unit Summary

Purchasing and supply helps also to develop a business's "Big Six" competencies, and furthermore it is responsible for the largest share of most business's total costs. It is thus fundamental to good supply chain management. Important issues reviewed in this Unit include the specification of requirements and assessing supply markets – which are the bases for developing effective purchasing and supply strategies for a business's different categories of purchase items.

These lead to setting purchasing and supply objectives for key purchase items, planning and budgeting, and the tasks of identifying, appraising and shortlisting suppliers based on the different kinds of desired supplier relationships. Businesses – and in particular SMEs – need also to improve how suppliers perceive them as customers, given that suppliers' performance will depend not only on their capabilities but also on their levels of motivation, and SMEs may struggle to make themselves attractive to larger suppliers.

The next step in purchasing and supply is obtaining and evaluating suppliers' offers, which leads to the purchase decisions. There are different approaches and methods to use here, depending on the nature of the requirement. Other important topics covered in this Unit include: spend analysis, which helps to know how (and how well) funds are being used; the contribution of green and ethical purchasing to sustainability; and the opportunities offered by group purchasing for SMEs to increase their leverage with suppliers and develop economies

of scale. Related topics such as negotiating and contracting, contract management, managing relations with suppliers, inbound logistics and purchasing performance management are covered in later Units.

Learning Objectives

- ◆ *Explain the importance and scope of purchasing and supply management.*
- ◆ *Describe how purchase requirements may be specified.*
- ◆ *Outline the main aspects and outcomes of reviewing supply markets.*
- ◆ *Develop appropriate overall purchasing and supply strategies, leading to specific objectives, plans and budgets.*
- ◆ *Develop and apply criteria for identifying, appraising and shortlisting suppliers, and approaches to improving suppliers' perceptions of the business as a customer.*
- ◆ *Develop and apply approaches and criteria for obtaining, evaluating and selecting suppliers' offers.*
- ◆ *Explain spend analysis and describe the Spend Cube.*
- ◆ *Explain the importance and priorities of green and ethical purchasing within the context of a business's strategy for sustainability*
- ◆ *Outline the benefits and risks of group purchasing.*

Unit Contents

- ◆ 5.1 Introduction
- ◆ 5.2 Specifying Requirements
- ◆ 5.3 Reviewing Supply Markets
- ◆ 5.4 P&S Strategies and Plans
- ◆ 5.5 Appraising Suppliers
- ◆ 5.6 Obtaining and Selecting Offers
- ◆ 5.7 Spend Analysis
- ◆ 5.8 Green & Ethical Purchasing
- ◆ 5.9 Group Purchasing
- ◆ 5.10 Key Points to Remember

Unit 6

Managing Relations with Supply Chain Partners

Unit Summary

A business's customers and suppliers are essential to its success, so effective management of relationships with supply chain partners is of the utmost importance. The relationship often begins by a negotiation, where effectiveness depends on applying well-tested approaches and techniques.

In addition to dealing with such issues, this Unit explores the essential elements of contracts – which provide the framework for an on-going business relationship – highlighting the particular issues to consider when contracting internationally. It also examines different payment methods and their implications for a business's financial and cash-flow situation, costs and risks. Because contracts may go wrong, it explains what can be done to minimise contractual risks and how to settle any disputes that may arise. It focuses on effective contract management, as one key way of avoiding problems in contract implementation.

Meeting the needs of end customers is essential to a supply chain's success, and so this must remain a key concern of each and every one of its members. Supply chains and businesses need to attract new customers while – critically – retaining their current customers. This requires understanding customers and their expectations and communicating with them in the best ways possible – including with the support of appropriate information systems. It is essential to realise that different customers will have different needs and motivations. For businesses higher up in a supply chain, dealing with their immediate business customers will be no less demanding.

This Unit concludes by exploring supplier relationship management, where the aim is to obtain the best possible value from suppliers by developing relationships specific to each type of supplier needed by a business. Supplier relationships may range from arms-length to collaborative. Failure to correctly manage these relationships will translate into lost business and lost profit.

Learning Objectives

- ◆ *Explain the most important approaches to adopt in a negotiation.*
- ◆ *Describe the key elements of a contract and the issues to consider when contracting.*
- ◆ *Apply best practices to managing contracts, including deciding on the features of a good contract management system.*
- ◆ *Explain the main issues to consider in managing customer relationships as essential to attracting and retaining customers – including how to understand end customers and business customers, make effective use of the internet for customer relations, and optimise the value of different types of customers.*
- ◆ *Describe the main elements of supplier relationship management as a way to obtain best value through targeted approaches adapted to different suppliers.*

Unit Contents

- ◆ 6.1 Introduction
- ◆ 6.2 Negotiating
- ◆ 6.3 Contracting
- ◆ 6.4 Managing the Contract
- ◆ 6.5 Managing Customers
- ◆ 6.6 Managing Suppliers
- ◆ 6.7 Key Points to Remember

Unit 7

Managing Logistics

Unit Summary

Logistics is essential for the movement of goods and the functioning of supply chains. It is the glue holding together the members of a supply chain. From the perspective of an enterprise, it involves three stages: inbound, internal and outbound logistics. Logistics involves dealing with numerous complex operational and strategic issues, and in certain situations businesses may wish to outsource their logistics to external service providers. These matters provide the framework for the contents of this Unit.

Three key drivers influence logistics performance: inventory, transport and warehousing. The factors influencing inventory policy will determine whether a supply chain will be “push” or “pull” and, consequently, the required amount and location of inventory in the chain.

Managing transport involves many dimensions, starting with the need to assess alternative transport modes. Ground transport is a major component of transport management for most businesses, and a number of issues need to be considered that will influence costs and efficiency – including decisions on fleet size and planning and organising deliveries to customers. Packaging and containerisation are also important topics, and have greatly facilitated the international movement of goods. International transport requires considering issues such as which Incoterm to use, selecting the best mode of transport, the role of shipping agents and freight forwarders, the different transport documents that may apply, and correctly organising port and customs clearance.

Warehousing is needed wherever inventory is kept. The aim should be to minimise inventory and warehousing costs. A business can choose to either own its own warehousing facilities or to outsource its warehousing. Operating a warehouse requires paying close attention to a number of issues relating to warehouse structure, design, location, internal organisation, safety and security.

ICTs can provide critical support to logistics management. This Unit therefore concludes by explaining the different technologies available, and their uses.

Learning Objectives

- ◆ *Describe the features of the logistics pipeline and the three stages of logistics.*
- ◆ *Outline the main operational activities involved in logistics, its contribution to enterprise strategy, and the reasons why some businesses outsource their logistics operations.*
- ◆ *Explain the ways in which inventory serves logistics, and the key customer-related factors that influence inventory policy.*
- ◆ *Explain the issues involved in managing ground transport, including outsourcing options, the methodologies for costing a fleet of vehicles, and planning and organising deliveries.*
- ◆ *Describe the relevance of packaging, the trade-offs to be considered, and the different packaging materials that can be used.*
- ◆ *Describe containerisation and how it facilitates the international movement of goods.*
- ◆ *Explain the different issues to be taken into account when a business needs to transport goods internationally.*
- ◆ *Explain a business’s warehousing options, including outsourcing, and the main points to consider when planning and operating a warehouse.*
- ◆ *Describe the reasons for using ICTs in logistics, and the main technologies that are available for this purpose.*

Unit Contents

- ◆ 7.1 Introduction
- ◆ 7.2 Managing Inventory
- ◆ 7.3 Managing Transport
- ◆ 7.4 Managing Warehousing
- ◆ 7.5 ICT Support to Logistics
- ◆ 7.6 Key Points to Remember

Unit 8**Managing Supply Chain Performance****Unit Summary**

Measuring and evaluating performance is essential to continuous improvement in supply chain management. This concerns not only a business itself, but also its other partners in its supply chains. Performance can and should be measured across supply chains as a whole; however, in practice, performance management will often focus on an enterprise's own SCM objectives and processes.

Performance management involves identifying the most appropriate performance indicators, collecting internal baseline and external benchmark data, setting time-bound performance targets, developing and implementing an action plan for achieving these targets, and measuring actual performance against the targets. Businesses also need to evaluate the performance of their customers and of their suppliers. The whole process then needs to be repeated in an on-going manner, building progressively upon the lessons learned while striving for continuous improvement.

These are the key topics covered by the last Unit of this Module. Managing performance draws from everything else that has been learned in the Module, and feeds back into this learning process through an understanding of what works best in practice in the context of the reality of a particular business and of its supply chains.

Learning Objectives

- ◆ *Explain the importance and the main elements of performance management.*
- ◆ *Describe two widely accepted performance measurement models relevant to supply chain management: SCOR and the Balanced Scorecard.*
- ◆ *Describe how to develop appropriate targets for selected performance indicators, and the use of baseline and benchmark data for this purpose.*
- ◆ *Explain the main issues involved in developing an action plan aimed at meeting performance targets.*
- ◆ *Explain the process of evaluating performance against set targets, including data collection, analysis and interpretation.*
- ◆ *Describe how the lessons learned from an evaluation can be used to develop new targets and a new action plan.*
- ◆ *Describe why and how a business can evaluate its customers and its suppliers.*

Unit Contents

- ◆ 8.1 Introduction
- ◆ 8.2 The SCOR Model
- ◆ 8.3 The Balanced Scorecard
- ◆ 8.4 Setting Performance Targets
- ◆ 8.5 Developing an Action Plan
- ◆ 8.6 Evaluating Performance
- ◆ 8.7 Evaluating SC Partners
- ◆ 8.8 Key Points to Remember

Epilogue: 5 Years later



Street address
International Trade Centre
54-56 Rue de Montbrillant
1202 Geneva, Switzerland

P: +41 22 730 0111
F: +41 22 733 4439
E: itcreg@intracen.org
www.intracen.org

Postal address
International Trade Centre
Palais des Nations
1211 Geneva 10, Switzerland

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.

ISM-INDIA(01/02/2016) CRN 507374