

THE PURCHASING Way RISES!!!



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Last year, my daughter was awarded her medical degree after finally finishing her Post-Graduate years of internship & residency, in a very overwhelming program of meaningful upper level intellectual & endurance boot camp that lasted 8 years; it was on the commencement ceremony where the keynote lead speaker with a long tenure in academic and on the field experience, offered a very emotive and inspirational speech about what this class represents for society; it started with a familiar topic nowadays claiming the following: “In the times of Superheroes..” They (Referring to the graduating class) are the Real-life Superheroes! The speaker reflected on how their hard-earned lessons in the eye of the pandemic storm brought the need to develop additional patient care protocols, while developing a crucial part of the doctor-patient connection as an effort to help healthcare by minimize pain, implement faster recovery programs from diseases as well as help them to live and enjoy life with a disabling injury making a huge difference to them and their families.

As we are in periodic reviews of managing the supply chain under turbulent times the world is facing, affecting all type of industries in meeting their business plans, I started reflecting the analogy of that keynote speaker regarding the Real-life “Superheroes” within organizations confronting the most difficult obstacles & challenges on the current market conditions. Typically the Production & Manufacturing operations were the more difficult tasks as the cornerstone of any given industry, requiring around that responsibility support from other areas such as: Quality, Engineering, Design, HR, Supply-chain, among many others; But since we are facing material scarcity with logistics limitations; they are not even able to produce a quality item without materials; as in baseball you are trying to defend a “Base on balls Walk” as no opportunity of defense is available Vs. this scenario; upper management have realized that the need for insuring an interrupted flow of materials to the production lines under these conditions, have become by logic the more critical priority in maintaining a profitable operation; therefore, the call has been made over time to the Purchasing Professionals.

But, what is the impact affecting the overall Purchasing function on the “Before & After” the pandemic effects, so we can nominate them as the Organization’s Real-Life “Superheroes”?

An effective management planning process begins with assessing the organization’s goals creating a realistic, detail “Action Plan” for meeting those goals; This includes long term corporate objectives detailed on a yearly “Annual Operation Plan”; Each department has their own, such as Purchasing has their “Buy Plan”; & so resources are assigned accordingly in order to accomplish “Plans”; The set of actions are segregated in three type of categories: Strategic, Tactical & Transactional activities. The workload percentage of these planned activities traditionally are as follows:

Strategic. 15-20 %; performed mainly by upper management & during the development of the “Buy Plan” (Includ-

ing sources of supply, volumes, pricing, inflation factors, resources, etc), as Strategic is linked more to Future-Growth & “Beating” Competitors.

Tactical. 30-40 %; performed mainly by Purchasing Professionals & managers with quick decision making windows, mostly throughout the year, as these activities are related to the materials procurement function effectiveness on meeting your goals in an efficient manner;

Transactional. 35-45 %; performed mainly by Purchasing Professionals & supporting cast, also mostly throughout the year, these are the set of transactions required in each purchase or any related activity; that must be done in order to process properly so other departments will likely react for other transactions in order to close the loop within the organization’s guidelines, policies & procedures. Although it seems not a critical activity it is extremely important that transactions are done timely & properly as negative effects can affect drastically organizations

So this is the Ideal scenario, but how is now since the pandemic in the middle of the eye of the storm?

First on the Strategic, activities have increase 2 or 3 times over! As Buyers are performing supplier sourcing & supplier development activities on a regular basis throughout the year; Value analysis such as “Make Vs. Buy” as well as a lot more than ever “Forward Buying” on the negotiation process for most of the materials required; The global sourcing concept is a must alternative for every industry; however, this has to be done in a very short period;

Regarding the Tactical activities increased up to 60% & have become far more complex as decisions are required daily to convey with strategic calls of new sources & in some cases alternative materials; for example: The historic goal for inventory reduction using the “Just In time” techniques as an effort to improve cash flow, have gone in many commodities; Yes of course, it is important to maintain low inventory levels, but nothing is more important than maintaining an interrupted flow of materials; the logistics activity is squarely based on Tactical calls & there are a lot of constraints on containers overseas, cost increases & overall availability; so lots of activities have emerge working with the logistics teams; And as a result of so many changes & different set of actions cascades automatically in to a significant increase in transactional activities (system-wise & still paperwork in between) and must be done properly in a timely manner; Procedures related to: Adding new suppliers, new part numbers, cancelling non-deliveries orders, materials deviations on Alternative materials among the regular activities expected in what it was the “Buy Plan”;

The overall results on these effects is an increase in intensive working hours than in the past, such as Managers & Executives do (As an average); The increase in global sourcing operations with the timing differential in other countries such as overseas will demand to accommodate working hours even on nightly hours! Again Buyers are involved in performing many Strategic & Tactical managerial decisions while having those transactional activities to be done accordingly. There is a higher exposure & responsibility for the purchasing function, In essence Purchasing is representing Suppliers as within the organization managers, requestors, executives will demand that Purchasing must enforce suppliers to meet company requirements by correcting all “issues” related; Therefore, the Buyers are much like “General Managers” for each supplier, in many cases Supply bases are conformed by an average from 50 to over 200 suppliers; but those requestors don’t realize that suppliers are companies such as theirs, facing the same type of obstacles and challenges as all organizations do: (Quality, Manufacturing, Logistics, Supply-chain, Material availability, and many more known); so everybody has to acknowledge the difficulty of what this represents

BASS Sourcing Consulting recognizes these duties and responsibilities for the Purchasing professionals under the current situation, one of our core competencies is to develop ideas & alternatives for improvement opportunities of changing current products to obtain a cost reduction benefit or offer materials available for market shortages; our Customer Service philosophy is to respond and work closely with our clients, our periodic surveys help to obtain feedbacks of any inquiries our clients might have, we are eager to provide answers & more important actions;

This is why we unanimously nominate the Purchasing staff (The Buyers), as the Real-Life “Superheroes” within organizations to those top-performance in the Purchasing function; as another Superhero will say: “*This is the way... The Purchasing way*”!