



SNS COLLEGE OF TECHNOLOGY



Coimbatore - 35

23BAT613 – Operations Management

UNIT-III - OPERATIONS AND THE VALUE CHAIN

Sourcing and Procurement

Presented by

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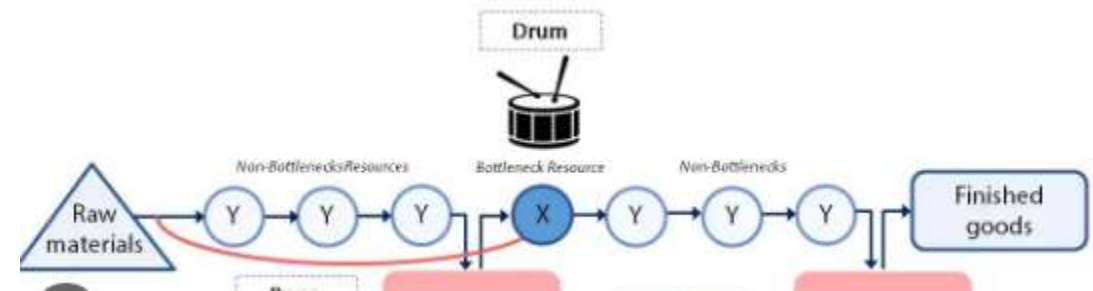
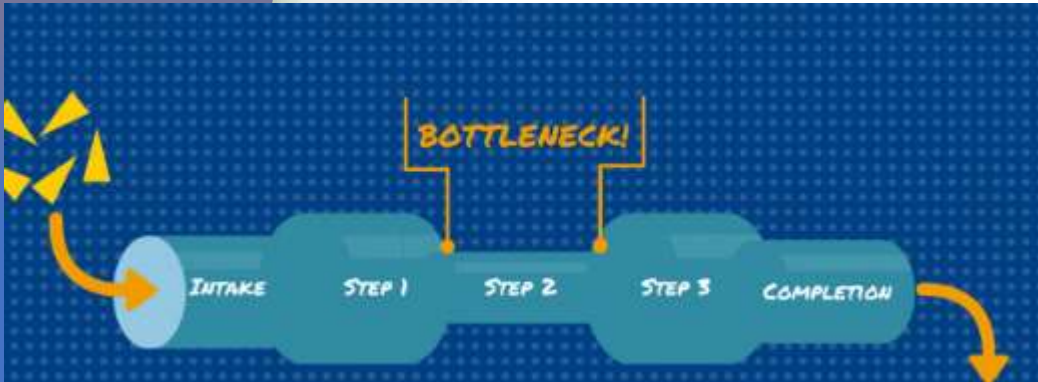
Department of Management Studies





Recap:

Location Models



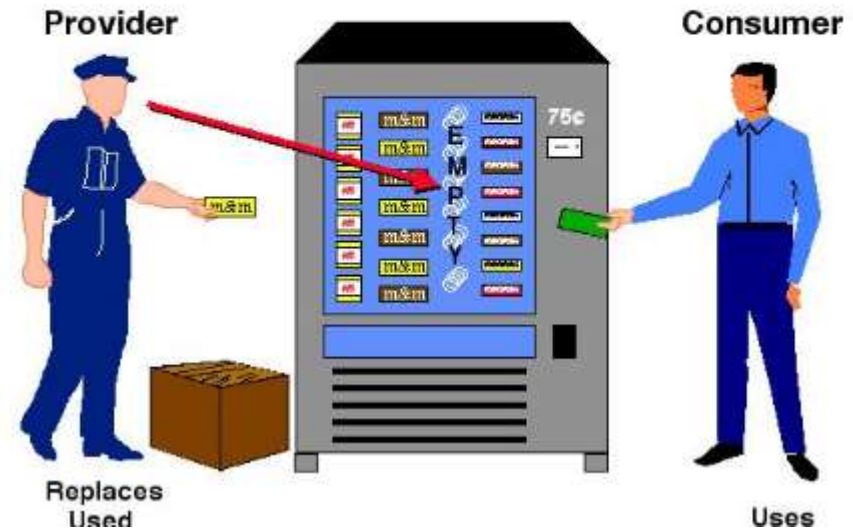
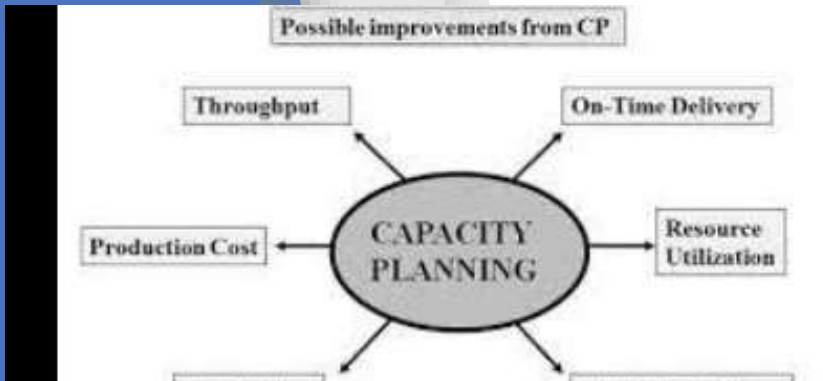


Today's Topic:



Sourcing and Procurement

Synchronous / Lean Manufacturing Pull System





Sourcing - Meaning

Sourcing involves identifying and evaluating potential suppliers to ensure that a company can procure the necessary goods or services. The goal is to find the best supplier in terms of cost, quality, reliability, and service.



Sourcing

- Steps in Sourcing

Needs Assessment:

Determine the specific requirements for the goods or services.

Consider factors like quantity, quality, delivery timelines, and budget.

Market Analysis:

Research the market to identify potential suppliers.

Analyze market conditions, trends, and supplier capabilities.



Sourcing

- Steps in Sourcing

Supplier Identification:

Create a list of potential suppliers through market research, trade shows, and industry contacts.

Utilize databases and supplier directories.

Request for Information (RFI):

Send RFIs to gather information about suppliers' capabilities, financial stability, and compliance with industry standards.



Sourcing

- Steps in Sourcing

Request for Proposal (RFP) or Request for Quotation (RFQ):

Send detailed RFPs or RFQs to shortlisted suppliers to obtain bids.

Specify requirements, evaluation criteria, and deadlines.

Supplier Evaluation and Selection:

Evaluate proposals based on criteria like price, quality, delivery capabilities, and financial stability.

Perform site visits and assessments if necessary.



Sourcing

- Steps in Sourcing

Negotiation:

Negotiate terms and conditions, including pricing, delivery schedules, and payment terms.

Aim to establish a mutually beneficial agreement.

Contracting:

Draft and sign contracts outlining the agreed-upon terms and conditions.

Ensure compliance with legal and regulatory requirements.



Procurement - Meaning

Procurement is the process of acquiring the goods and services that the company needs from the chosen suppliers. It involves the operational aspects of purchasing and managing the relationship with suppliers.



Procurement - Steps

Requisition:

Internal departments create purchase requisitions specifying their needs.

Requisitions are reviewed and approved by management.

Purchase Order (PO) Creation:

Convert approved requisitions into purchase orders.

Send POs to suppliers detailing the products or services, quantities, prices, and delivery dates.



Procurement - Steps

Order Management:

Track the status of orders and manage communication with suppliers.

Ensure timely delivery and address any issues that arise.

Receipt and Inspection:

Receive and inspect goods or services upon delivery.

Verify that the delivery matches the PO in terms of quantity and quality.



Procurement - Steps

Invoice Processing:

Receive and verify invoices from suppliers.

Match invoices with POs and delivery receipts to ensure accuracy.

Payment:

Process payments according to the agreed terms.

Ensure timely payment to maintain good supplier relationships.

Record Keeping:

Maintain accurate records of all transactions.

Use procurement software to manage and track orders, deliveries, and payments.



ASSESSMENT:



- Which of the following best defines capacity planning?
- A. Planning for financial resources
 - B. Planning for human resources
 - C. Planning for optimizing operational efficiency
 - D. Planning for aligning resources with demand forecasts



Summary

By following these steps systematically, businesses can make informed and strategic decisions when selecting a location for their facilities, minimizing risks and maximizing benefits.



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