

Preface

This first edition of *Purchasing and Supply Chain Management: Strategies and Realities* has been produced in response to market demand. I have developed and reinforced the concept of purchasing and supply chain management as a dynamic and managerial process, and have added material that reflects the current more general view of purchasing and supply chain management as a strategic function. The terrorist attacks of September 11, 2001, in the United States of America, subsequent impacts, and other worldwide tragic events resulting from the war on terror have created a need to revisit how we achieve effective purchasing and supply chain management. Post 9/11 has had no effect? On September 11, 2001, terrorists left their mark of murder and took the lives of many citizens. With the passing of months and years, it is the natural human desire to resume a quiet life and to put that day behind us, as if waking from a dark dream. The hope that danger has passed is comforting, is understanding, and is false. The attacks that followed on Bali, Jakarta, Casablanca, Bombay, Mombassa, Najaf, Jerusalem, Riyadh, Baghdad, and Istanbul, for example (and indeed London in July 2005), were not dreams. They are part of the global campaign by terrorist networks to intimidate and demoralize all who oppose them (Bush, 2003).

Ask those trans-Atlantic and trans-America passengers and airlines who have had flights cancelled because of terrorist concerns. Ask customers, purchasers, and suppliers worldwide who have seen shipping costs and timescales increase as enhanced security measures are embodied. The threat matrix is a clear and present danger. Similarly, on a humanitarian scale, integration of purchasing and supply chain management and a sharing of resources can be a crucial element in international disaster relief. Indeed, integrative practices are an important area in the effectiveness of purchasing and supply chain management. In general, however, the 21st century events such as the Iranian earthquake and the Asian tsunami disaster suggest the world still has much to learn in terms of integrating resources in order to achieve supply chain effectiveness. Conse-

quently, I have attempted to reflect the emergence of purchasing and supply chain management and e-business as a 21st century activity recognised as “key” to corporate social responsibility and sustainability in both the public and private sectors. The text will be useful to a broad range of students and practitioners, and the practical style will be popular. Thanks are due to colleagues and friends who have contributed their ideas and advice and to the business concerns and copyright holders of included material. Specific acknowledgments and references are, of course, given in the book where appropriate. I am particularly grateful to my colleagues Bryan Jones and Neil Fuller for their support and agreement to use their material. The book is organised into 12 chapters:

- Chapter I: *Developments in Purchasing and Supply Chain Management and Logistics*, discusses procurement, purchasing, outsourcing, supply management and supply chain management; buying links in the supply chain; resource-based view; business issues affecting organisations; supply chains into the future; supply chain education; professional competence; and business issues in the 21st century.
- Chapter II: *Strategic Purchasing Management*, discusses corporate planning, purchasing planning and strategies, corporate and environmental factors, SWOT (Strengths, Weaknesses, Opportunities, Threats) gap analysis, flexibility, buying decisions, buying practice, ethical purchasing, procurement agencies, purchasing needs and corporate strategies, single vs. multiple sourcing, and factors affecting purchasing strategy.
- Chapter III: *Purchasing Policy*, discusses structure; definition and purpose, centralisation and decentralisation in complex organisations, purchasing consortia, policy issues, the public sector, benchmarking, and exemplar purchasing strategy.
- Chapter IV: *Quality Management and Customer Service*, discusses definitions, costs of failure, ISO9000, ISO14000, total quality management, the TQM diamond, quality & service as competitive variables, partnering, efficient consumer response.
- Chapter V: *Supply Chain Management*, discusses definitions and concepts, the value chain, the bullwhip effect, logistics management and corporate profit, global sourcing, public sector and military variations, logistics in small organisations, interlock strategy, and bottlenecks.
- Chapter VI: *Managing the Supply Chain Function*, discusses directing the function, staff, resources, job description, motivation, professional and supervisory management, management and implementation of change, impact of change on people and jobs, effect on performance, scope for more creative work and decision making, and the supply chain and change.

- Chapter VII: *Operating Environments*, discusses logistic action planning; manufacturing, public services, and utilities; the armed forces; construction, retailing, and distribution; integrated logistics support; logistics information systems; case study; coordination of physical control; and contribution to overall profitability and service capability.
- Chapter VIII: *Provisioning and Inventory Control*, discusses stores links in the chain, the need to hold stock, provisioning, pareto analysis, use of computers, coding and inventory systems, related effects on standardisation and variety reduction, accounting methods, stores vocabulary, price analysis, economic order quantity, inventory reduction and control, liaison with sales and production, application of JIT (Just in Time) concepts, and MRP (Multiple Resource Planning) and MRPII, and point of sale (POS).
- Chapter IX: *Stores Management*, discusses warehouse, storehouses, stockyards, depots; location and distribution networks. Premises: determination of handling requirements in relation to products (e.g., perishables, fluids, gases); design and layout; movement patterns and volume throughput; cost factors; and environmental factors. Operational requirements: automation, security, hazardous stocks, preservation, packaging, house-keeping, accounting; personnel: development of teams; health and safety; and training. Equipment: degrees of automation, applications of robotics; static and mobile equipment; surplus, scrap and obsolescent stocks; and treatment and disposal.
- Chapter X: *Transport*, discusses modes; alternative methods of transportation; performance variables; road, rail, air and sea transport: optimisation; roll on/roll off arrangements; and import/export documentation and procedures. Management considerations: procurement of transport services; purchase, lease and hire options; licensing; traffic regulation; transport laws; scheduling and planning and utilisation, containerisation; and control and monitoring of costs.
- Chapter XI: *Physical Distribution*, discusses despatch and delivery; resource planning, distribution channels; management; distribution audits; budgetary control; coordination; and military logistics.
- Chapter XII: *E-Business*, discusses electronic data interchange, information as a resource to be managed, evaluation of e-commerce systems, what the literature says, e-business strategies, opportunities for coherent procurement, tantric purchasing, hype versus reality, and case study.

As you can see, this book is about decision making and actions that determine whether an organisation excels, survives, or dies. This process is called “purchasing and supply chain management.” The job of purchasing and supply chain managers is to make the best use of an organisation’s resources in a changing

environment. This book focuses on top-level decisions, but you should not have a problem with the relevance of the subject matter for your short-term career interests. Several reasons can be given for why the knowledge you can gain in the study of purchasing and supply chain management is practical and useful for your career: You are likely to perform better in your function, regardless of your level in the organisation, if you know the direction in which the organisation is going. As the manager of a subunit, you would like to know how what you do fits into the broader picture. If you know how your function contributes, you should be able to do a better job of helping the organisation reach its objectives. If your unit is successful, and higher level managers realise how you contributed to this success, it will reflect positively on you. Furthermore, lower level units often interpret strategies and policies set at higher levels. If you understand why those were established, you can implement them more effectively. Finally, if you understand how your job relates to others in the organisation, you will be in a better position to effectively work with peers when cooperation is called for and compete for resources when the time comes.

In your study of purchasing and supply chain management process you will begin to identify factors that may lead to significant changes in the organisation. Some of these strategic changes could be positive or negative to you personally. For instance, a major divestiture could eliminate your unit, or a new market thrust or product development could make your unit more critical for organisational performance. If you understand what factors may be pushing the organisation in certain directions and how your job fits in, you might decide to change or keep your job. Foresight about critical organisation changes can be a real asset to your career. If you are aware of the strategies, values, and objectives of higher level managers, you are in a better position to assess the likelihood of acceptance of proposals you might make. As you consider offering your suggestions, tying the reasons to your assessment of the interest of higher level managers is likely to enhance their acceptance and your visibility.

Thus, I believe that an understanding of how and why supply chain decisions are made can be helpful to you in terms of securing resources beneficial to your subunit, improving your job performance, and enhancing your career development. This book's purpose is to help you make sense of the supply chain management process while you are a first-line manager or a middle manager. It is also designed to help prepare you to become a successful top manager. Its goal is to show you that if you understand the business policy and purchasing and supply chain management process before you get to the top, you will be a more effective manager. The book is also designed to fulfill a teaching function at postgraduate, professional and undergraduate level in schools of business management and administration. The material is designed to help you integrate the functional tools you have learned. These include the analytical tools of purchasing and supply chain, such as physical distribution, logistics and purchasing

management. All these provide help in analysing business problems. Remember that purchasing and supply chain management is about people, not just about processes. This book and the materials in it provide you with an opportunity to learn when to use which tools and how to deal with trade-offs when you cannot maximise the results or preferences of all the functional areas simultaneously. More important — enjoy it!