Chapter I

Developments in Purchasing and Supply Chain Management and Logistics

The purpose of this chapter is to provide an overview of the differences between procurement, purchasing, outsourcing, supply, and sustainable supply chain management. An overview of the global marketplace and the emerging business issues of the 21st century will also be provided, along with some guidance on effective education programmes. Supply chain management a crucial element of competitive advantage (see, e.g., Figure 1).

Understanding what supply chain management is and what it means is vital.

Procurement, Purchasing, Outsourcing, Supply Management and Supply Chain Management

Supply chain management is not merely a fashionable set of words for supply, purchasing, and procurement! Understanding the differences is crucial to the development of a world-class culture.
Procurement

Compton and Jessop (1995, p.26) defined procurement as “the obtaining by various means (e.g., loan, transfer, hire purchase) of supplies and services with or without consideration.” Van Weele and Rozemeijer (1996, p.22) defined procurement as including “all activities required in order to obtain the product from the supplier and get it to the place where it is actually used. It encompasses the purchasing function, store, traffic and transportation, incoming inspection, and quality control and assurance. Some firms also include salvage and management of environmental issues (as they are related to materials) in procurement.” Another definition might be that procurement is purchasing, contracting, and logistics, wherein logistics is taken to be inventory control, warehousing, transport, quality assurance, and control. The distinction between purchasing and contracting is that contracting is usually the purchasing activity associated with major works.

Often the term procurement is used, especially where government purchasing is involved. The specific activities of purchasing are, as described by Dobler (1990, p.100), “participation in the development of requirements and their specifications; managing value analysis activities; conducting supply market research; managing supplier negotiations; conducting traditional buying activities; administering purchase contracts; managing supplier quality; buying inbound transportation.”