

# [In by nature it considers factors far beyond](https://assignbuster.com/in-by-nature-it-considers-factors-far-beyond/)

[Business](https://assignbuster.com/essay-subjects/business/), [Management](https://assignbuster.com/essay-subjects/business/management/)

In today’s competitive business climate, procurement professionals are constantly seeking out creative ways to reduce costs and assure or improve the quality of service. Strategic sourcing is one method that managers can use to help achieve these goals. Strategic sourcing is the continual process of measuring, evaluation and improving the purchasing activities of a company. It is one of the most powerful tools that purchasing professionals and businesses have available to bring significant bottom line results to a company.

Rather than taking a reactionary or fulfilment approach to purchasing, strategic sourcing takes a proactive, data-driven approach. So why aren’t more organisations employing this technique to office supplies purchasing? Although essential for business, often office supplies are seen as a tactical commodity. However today office supplies is about so much more than pens and paper – the category encompasses a huge range of products and services, from personalised print to furniture and facilities supplies.

The bottom line is that true strategic sourcing takes considerable resources to carry out. Resources that the charities, law firms and businesses we help simply don’t have. Strategic Sourcing vs Tactical Sourcing” We need 100 A4 pads, let’s find the best price,” versus” Last year we needed 100 A4 folders in Q4. Here’s what we spent on it.

Let’s review how many we will likely need for the year. Let’s negotiate the best price and ensure the same quality and value.” Strategic sourcing achieves efficiencies by formalising the way spend information is gathered, analysed and factored into the procurement process. By nature it considers factors far beyond the cost of a product or service.

Driven by experience, evidence and fact, strategic sourcing eliminates the potentially high cost of emotion-based procurement decisions. This approach allows us, on behalf of our clients, to secure the best value in the marketplace as well as long-term sustainable pricing. 4 elements of strategic sourcingTo effectively implement strategic sourcing in your organization, it’s important to understand the critical elements that constitute a successful strategic sourcing plan. 1.       SPEND ANALYSIS In the initial data-gathering phase, an organization pulls together information on its past, current and anticipated needs; historical spend data; realized value and ROI of previous procurement activities.

2.       SUPPLIER QUALIFICATION This stage of the strategic sourcing process combines an assessment of the marketplace for the required product or service, and information gathering on possible suppliers or vendors. Once potential vendors/suppliers have been identified, it’s time to assess their quality, service, reputation, capabilities and price. 3.       NEGOTIATION After receiving initial bids from qualified suppliers, negotiation begins with a conventional or online process that helps secure the optimal price. 4.

SUPPLIER PERFORMANCE MANAGEMENT Strategic sourcing formalizes the process of assessing vendor (or supplier) performance, and helps ensure they are consistently living up to their half of an agreement, including timelines and budgets. Strong management of suppliers incorporates a scoring process to measure specific performance areas such as product quality, delivery time, customer service and more. Additionally, periodic meetings with the suppliers help assess performance and develop improvement plans.