

# [Blozis company essay](https://assignbuster.com/blozis-company-essay/)

Executive Summary Currently Blozis Company is facing many internal issues due to an absence of communication and control. The supply department is exhibiting weak control over materials and the overall supply management performance. The implementation of a supply management process will give the organization control of its operations. The large number of items, the large dollar value involved, the need for an audit trail, the severe consequences of poor performance, and the potential contribution to effective organizational operations inherent in the function are five major reasons for developing a robust process.

The acquisition process is closely tied to almost all other business processes included in the organization and also to the external environment, creating a need for complete information systems and cross-functional cooperation. Issue Identification There is a lack of communication and control across this organization. The expediter is overworked, as he is involved in more than his assigned tasks. He is consulted by engineering or production when there are ordering problems, he also writes commercial specifications for these departments, types the requisitions, issues purchase orders, picks up rush orders, and supervises the stock room.

There is no segregation of duties as anyone in the company is allowed to initiate a requisition. As a result of the informal operations, the engineering and production departments have difficulties staying within budget as the managers do not know what materials are being charged to their department until the monthly accounting statements are released. There is no evidence of receiving procedures; end users are not notified when materials arrive, orders are lost, and suppliers are not paid on time. Environmental and Root Cause Analysis The lack of control is wreaking havoc on the company.

The expediter seems to be the “ main player” in the company as he is involved in many departments. He is performing numerous tasks other than expediting. The engineering and production departments often contact him on ordering problems before submitting a requisition to the supply department. Where applicable he suggests substitute components available from the stock room or he writes a commercial specification, types the requisition and submits it to the supply department. The expediter periodically issues purchase orders for rush items.

He also picks up items without a purchase order and promises the supplier they will receive a “ confirming order” from the supply department and then sometimes forgets to notify the supply department of the transaction. Consequently, purchase orders are made up to match invoices for material that had already been received from the supplier. The supply department has a deficient understanding of technical information. The supply manager has made no attempt to keep up with the specialized design problems of the company. The buyer can successfully handle technical items with detailed specifications provided by the engineering or production.

There is no indication of a procedure for receiving orders. End users are not being notified when their materials arrive unless the expediter brings it to them, orders are lost after receipt, and suppliers are not paid on time and discounts are not taken because receiving reports are not completed. The engineering and production managers have difficulties staying within the materials budget. The managers do not know what materials are being charged to their departments until the monthly accounting statements are released. Orders under $10, 000 require only the approval signature of the supply manager.

Orders over $10, 000 require the president’s approval, but in practice, all orders for more than $10, 000 were approved by the president either in the materials budget or the capital budget long before the requisitions were made out. Alternatives and/or Options There is a need for improvement in the company to ensure that the operation runs as smooth as possible. One option to consider is to initiate a supply management process. This process requires a wide range of standard operating procedures to deal with the normal daily tasks.

The first step in optimizing the supply process is building consensus within the organization around the opportunities to add value to the organization. Personnel at all levels in the company must work to understand and align strategies and goals vertically and horizontally to maximize opportunities for the organization. The supply process is basically a communications process. Determining what needs to be communicated, to whom, and in what format and timeframe is at the heart of an efficient and effective supply management process.

The essential steps in the purchasing process are: 1)Needs recognition – this is the process of identifying that a good or service is required and determining the timing of the requirement. 2)Need description or specification – this is describing the need in sufficient detail to ensure that the correct good or service is procured, in the correct quality, at the correct time, at the correct place. 3)Sourcing – this involves investigating and qualifying potential suppliers and evaluating the qualifying suppliers’ bid. 4)Supplier selection – this involves choosing the supplier to provide the good or service. )Ordering – this is the process of making the purchase from the supplier. 6)Monitoring – this involves following up with the supplier to check on the status of the order and/or expediting an unanticipated early requirement of the good or service or the supplier has missed a delivery commitment. 7)Receipt and inspection – this involves taking delivery of the good or service and checking that it meets the specified requirement. 8)Payment – this is the process of clearing the invoice for the good or service and issuing payment. )Documentation – this includes completion of all the paperwork related to the good or service purchased including: bills of lading, invoices, payment requisitions, payment registers, and more. 10)Relationship management – this is the process of managing internal and supplier relationships. Pros of the supply management process: there will be a disciplined and consistent process across the organization, items will be accurately described on the requisitions, reduced rush orders, record of receiving goods – less likely to be lost, suppliers will be paid on time and discounts will be taken, and good relationships with departments and suppliers.

Cons of this process: there will be more administrative work and the company will have to hire more people. Another option available is investing in an ERP system. An ERP system facilitates the flow of information between all business functions inside the organization and links to outside stakeholders such as customer and supplier systems. The system will integrate all business management functions, including planning, inventory/materials management, engineering, order processing, manufacturing, purchasing, accounting and finance, human resources and more.

ERP software integrates all departments and functions across a company onto a single computer system so that the various departments can more easily share information and communicate with each other. Pros of implementing an ERP system: the reduction of data entry and process, increased information sharing across departments, improved access to information, improved workflow and efficiency, and the ability to track actual costs of activities and perform activity based costing. Cons of the ERP system: cost of implementation, time and money for proper training, cost of annual licensing fees, and the system is hard to customize.

Detailed role and responsibilities should be developed for each position to ensure that employees know their job descriptions and what is expected. A review of the employees and their respective roles may reveal that the right people may not be in the right position where they can be most beneficial to the organization. The requisition process should be reviewed as currently anyone in the company can initiate a requisition without the approval of the budget holder. The department managers are finding it difficult to stay on budget when they are not aware of all the orders being issued.

Recommendation My recommendation is to implement the supply management process. The organization needs standard operating procedures in order to control the operation. Along with this implementation, I suggest that detailed job descriptions be developed for each position followed by a performance review of each employee to ensure that we are optimizing their contribution to the organization. For example, given the expediter’s background, he may be more valuable to the company creating commercial specifications and requisitions than running around picking up orders and stocking inventory.

An overhaul of the current requisition process is needed. Only designated individuals in each of the departments will have authorization to initiate a requisition. The requisitions will be forwarded to the respective department manager for approval and requisitions over $10, 000 will then be forwarded to the president for approval. Once approvals have been obtained, the requisitions will be forwarded to the supply department. Only the supply department will place orders and issue purchase orders to suppliers.

This will aid the departments in tracking their costs and staying within budget. Implementation Implementation is expected to be complete in 20 weeks. The responsibility to evaluate the strategic impacts and to approve the proposed timing will be assigned to a cross-functional team. As the Supply Manager, I will lead the cross-functional team composed of representatives from the supply department, engineering, production, warehouse/receiving, finance and HR. A plan of action is listed below. Monitor and Control

The plan of action will require regularly scheduled meetings of the cross-functional team to review the status of the plan to ensure that events are on track. Implementation meetings with all departments will also need to be scheduled. Understanding and acceptance of the standard operating procedures are critical to the successful launch of the supply management process. KPIs will be put in place to monitor budget vs. actual, payment terms and discounts, timeframe to process purchase orders and overall performance. Conclusion

Blozis can look forward to a more effective and efficient future as a result of implementing these recommendations. It is important that control and communication exist within an organization. Each employee contributes to the successful operation; it is easier to work in harmony than in chaos. The success of implementation depends on the understanding and acceptance of the process. Once the process is understood, opportunities can be identified for technology applications to increase efficiency by streamlining the process without sacrificing effectiveness. Remember, process first and technology last.