



# **SNS COLLEGE OF ENGINEERING**

**Kurumbapalayam (Po), Coimbatore - 641 107**

**An Autonomous Institution**

**Accredited by NBA - AICTE and Accredited by NAAC - UGC with 'A' Grade  
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai**

**DEPARTMENT OF MANAGEMENT STUDIES**

**COURSE NAME : 19BA204 OPERATIONS MANAGEMENT**

**I YEAR / II SEMESTER**

**UNIT 5 - DYNAMIC PURCHASING**

## Purchasing

- ❖ Purchasing is the process a business or organization uses to acquire goods or services to accomplish its goals.

## Purchasing management

- ❖ Purchasing management is the management of the purchasing process and related aspects in an organization.





# Purchasing Functions

- Determining purchasing specifications: quality, quantity, delivery
- Selecting suppliers
- Negotiating terms & conditions of purchase
- Issuing & administering purchase orders

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3



# The Major Functions

Audit of Acquisition and Expenditure Cycle 4/16/2014

## Functions of the Purchasing Process

Requisitioning	Initiation and approval of requests for goods and services by authorized individuals consistent with management criteria.
Purchasing	Approval of purchase orders and proper execution as to price, quantity, quality, and vendor.
Receiving	Receipt of properly authorized goods and services.
Invoice processing	Processing of vendor invoices for goods and services received; also, processing of adjustments for allowances, discounts, and returns.
Disbursements	Processing of payment to vendors.
Accounts payable	Recording of all vendor invoices, cash disbursements, and adjustments in individual vendor accounts.
General ledger	Proper accumulation, classification, and summarization of purchases, cash disbursements, and payables in the general ledger.

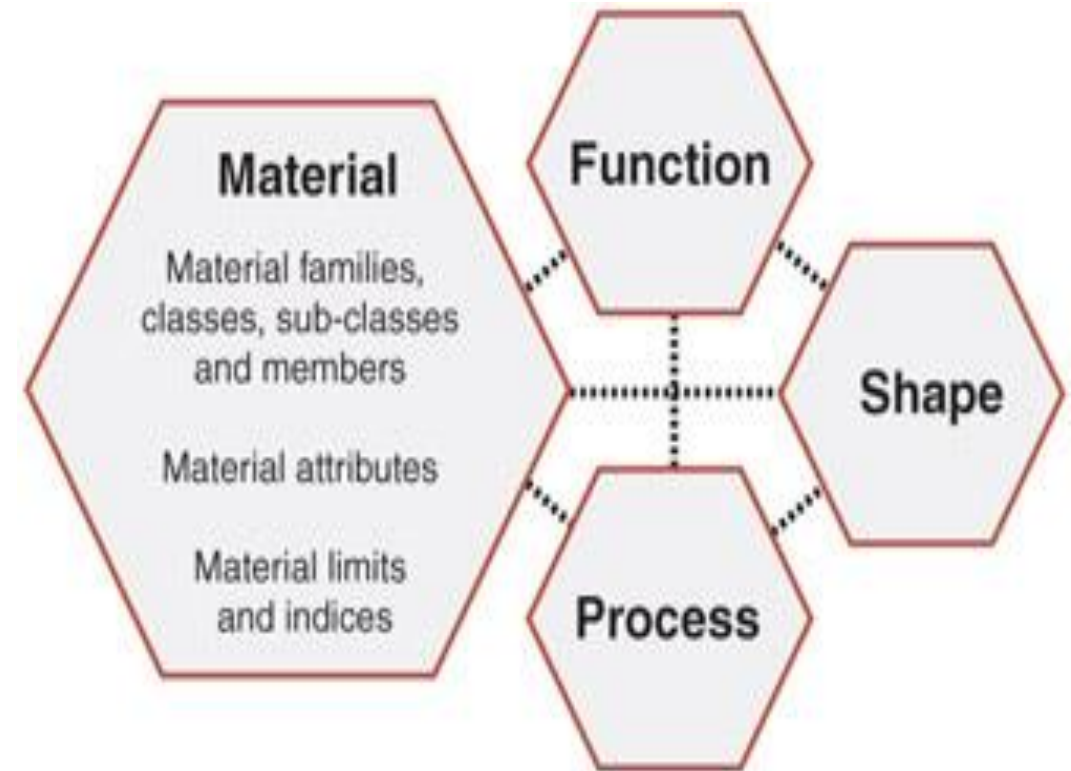
## Material selection

- ✓ Material selection is the act of choosing the material best suited to achieve the requirements of a given application.
- ✓ Many different factors go into determining the selection requirements, such as mechanical properties, chemical properties, physical properties, electrical properties and cost.
- ✓ These must be weighed during the material selection process



## Material selection

- ✓ Material selection is a step in the process of designing any physical object.
- ✓ In the context of product design, the main goal of material selection is to minimize cost while meeting product performance goals



## Material selection

What do we look for in choosing materials?

- ✓ Function – what we need this product to do
- ✓ Durability – the product should stand the test of time
- ✓ Aesthetics – the fine balance between appearance, durability and cost
- ✓ Consistency of performance – the product should record a low failure rate in testing
- ✓ Cost – the balance between high quality materials and keeping costs at an appropriate level



## vendor

- ✓ A vendor is a general term used to describe any supplier of goods or services.
- ✓ A vendor sells products or services to another company or individual.
- ✓ Large retailers, like Target, rely on many different vendors to supply products, which it buys at wholesale prices and sells at higher retail prices.
- ✓ A manufacturer that turns raw materials into a finished good is a vendor to retailers or wholesalers.
- ✓ Some vendors, like food trucks, sell directly to customers.





# VENDOR SELECTION PROCESS

STEP 1



Analyze Business Requirements

STEP 2



Search for Vendors

STEP 3



Write a Request For Proposal (RFP) & Request for Quotation (RFQ)

STEP 4



Evaluating the Proposal & Selection the Vendor

STEP 5



Creating a Contract Negotiation Strategy

# VENDOR SELECTION

An evidence-based approach for RFP response evaluation and vendor selection

## 1 Assemble Team



Create a diverse team of experts from relevant departments for objectivity

## 2 Review Proposals



Independently review & evaluate submitted proposals to eliminate group biases (e.g., groupthink)

## 3 Demos



Choose vendors for demos/presentations based on input from your whole team

## 4 Final Evaluation



Minimize politics & objectively evaluate to select the best vendor for your RFP

## 5 Award Contract

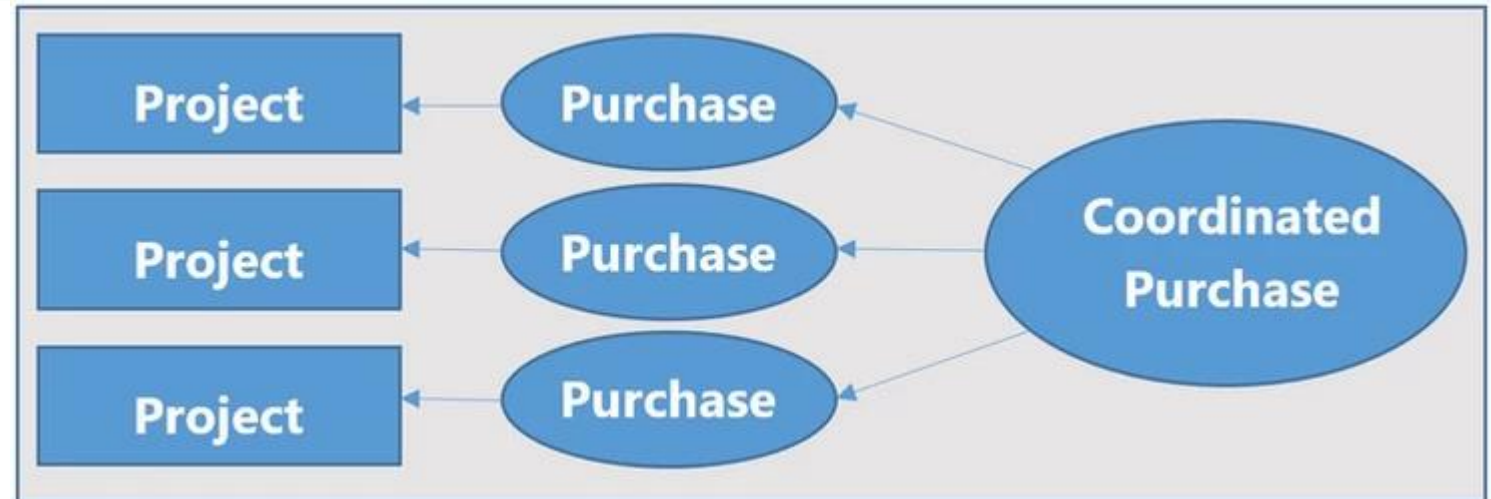
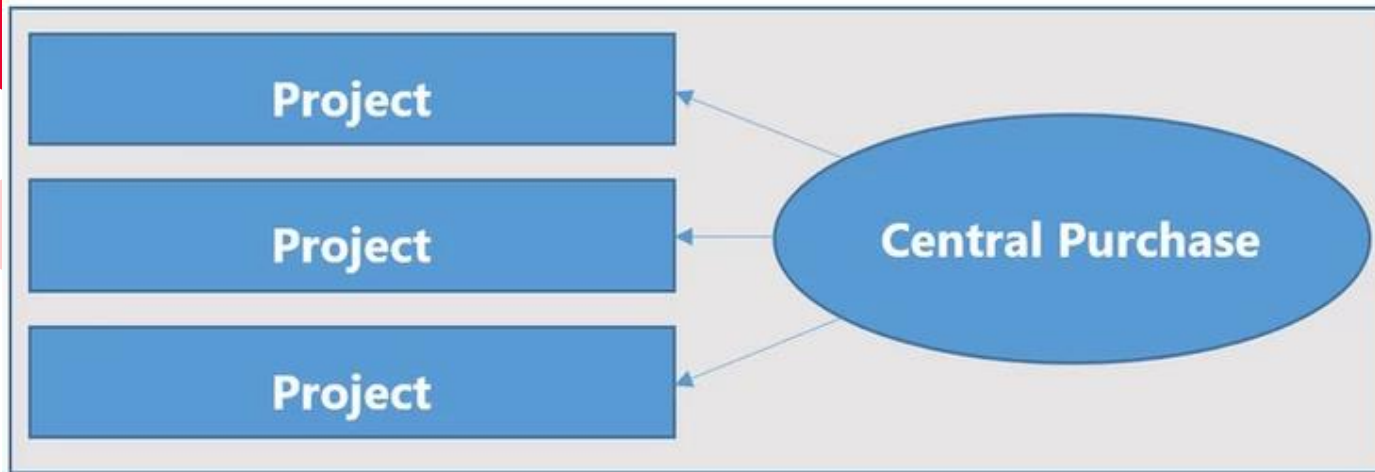


Discuss and prepare for negotiation as a team for increased buy-in & alignment

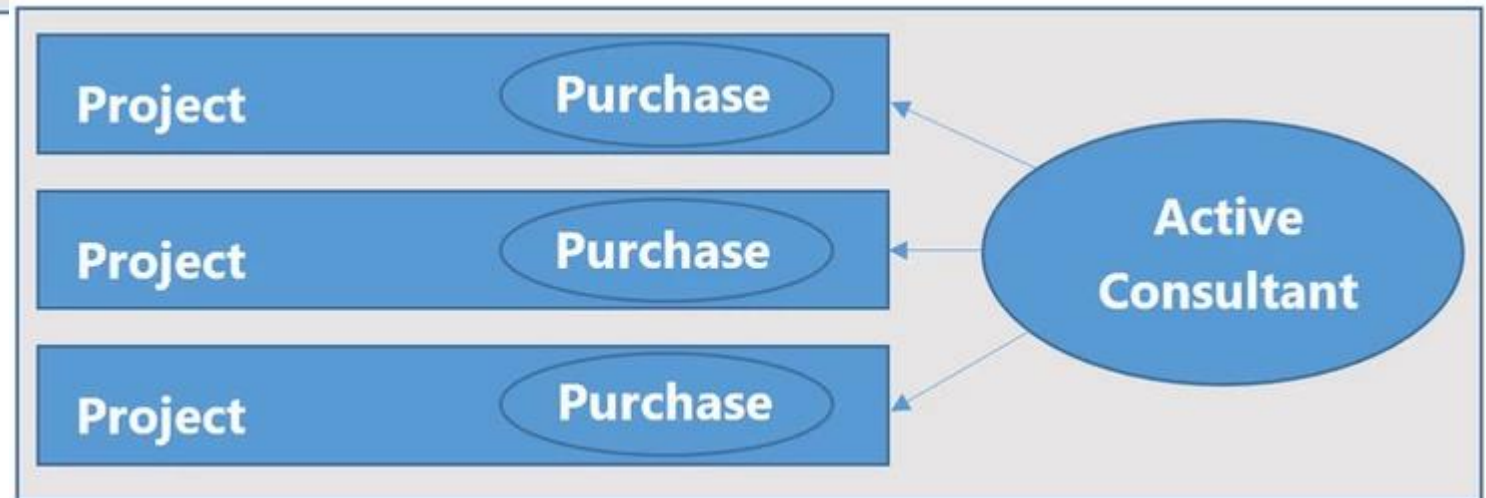
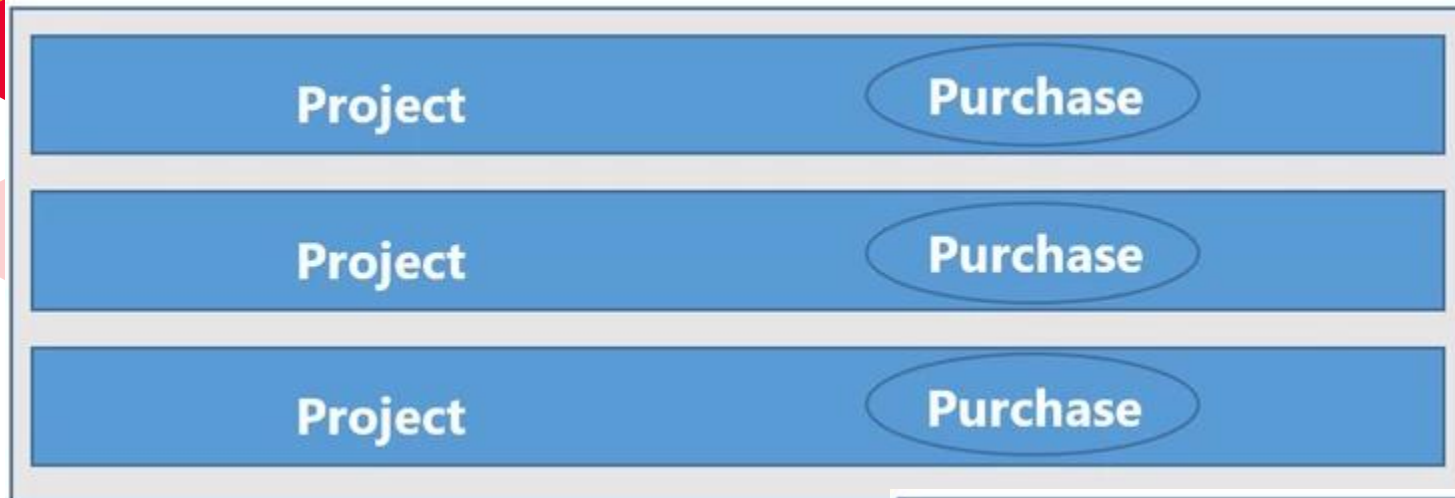
# Purchasing organization

- Purchasing organization is an independent physical organizational entity of material management that responsible to procure materials or services with negotiation terms and conditions from vendors or internal plant.

# Types of Purchasing Organizations



# Types of Purchasing Organizations



# Types of Purchasing Organizations

Title	Center	Coordinated	Independent	Independent + Active Consultant
1. Price advantage due to economy of scale	4	3	2	5
2. Communication with customer	1	3	5	5
3. Being able to work with local suppliers	1	5	5	5
4. Being able to work with common suppliers	5	4	0	3
5. Motivation	1	3	5	5
6. Procedure coordination control	5	3	1	5
7. Control mechanism	3	5	3	5
8. Bureocracy	1	3	5	4
9. Employment and training of qualified personnel	5	4	3	3
10. Number of purchase agent	5	3	2	2
11. Personnel circulation	5	3	1	2
12. Personnel cost	5	4	2	1
<b>Total score</b>	<b>41</b>	<b>43</b>	<b>34</b>	<b>45</b>

**SAP** - <https://www.saptrainingtutorials.com/define-purchasing-organization-in-sap/>

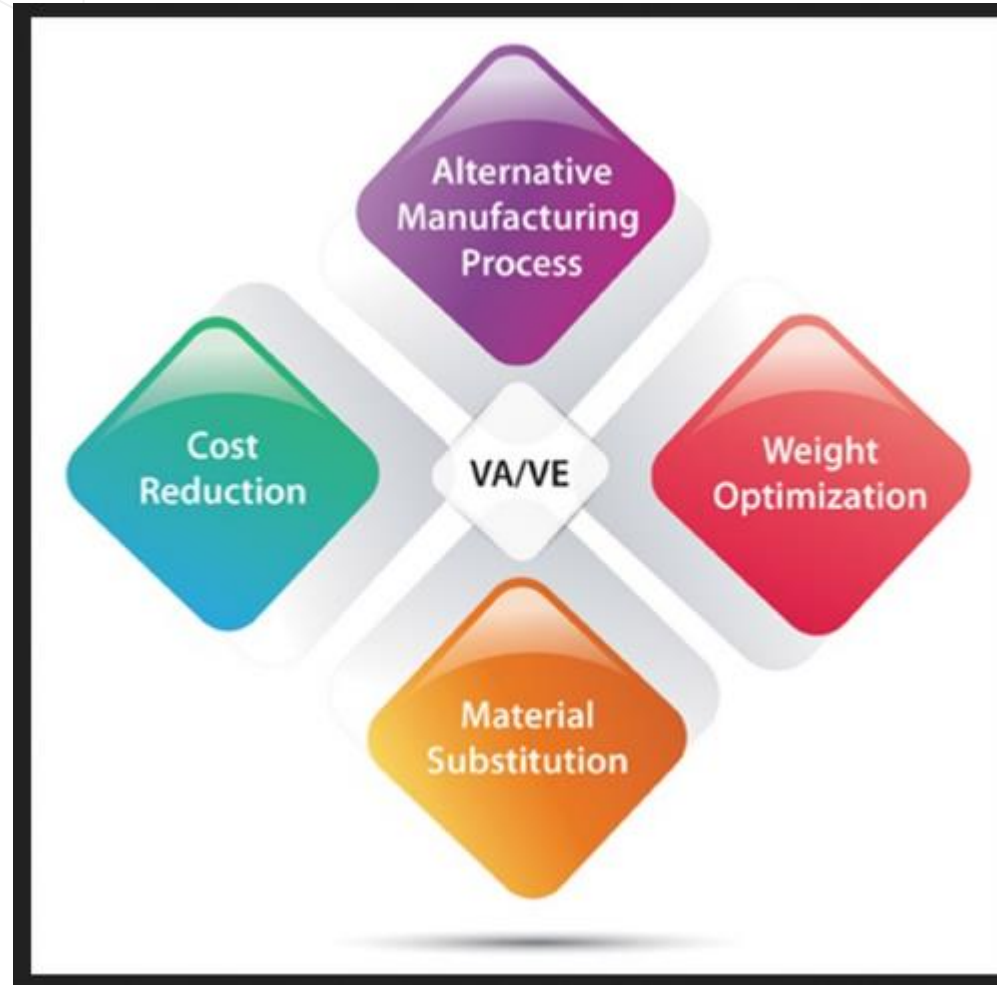
# Value analysis

- ✓ Value analysis is an approach to improving the value of a product or process by understanding its constituent components and their associated costs.
- ✓ It then seeks to find improvements to the components by either reducing their cost or increasing the value of the functions.

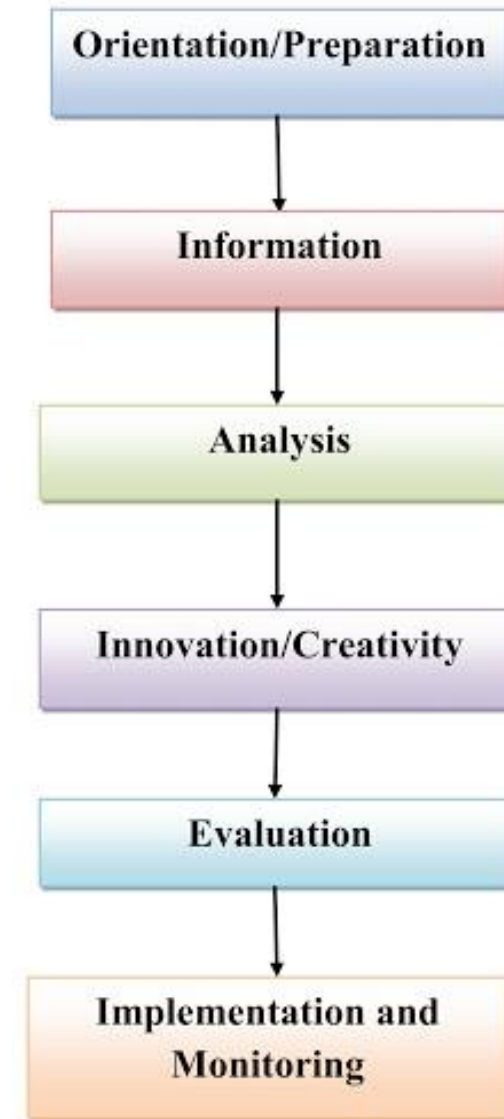
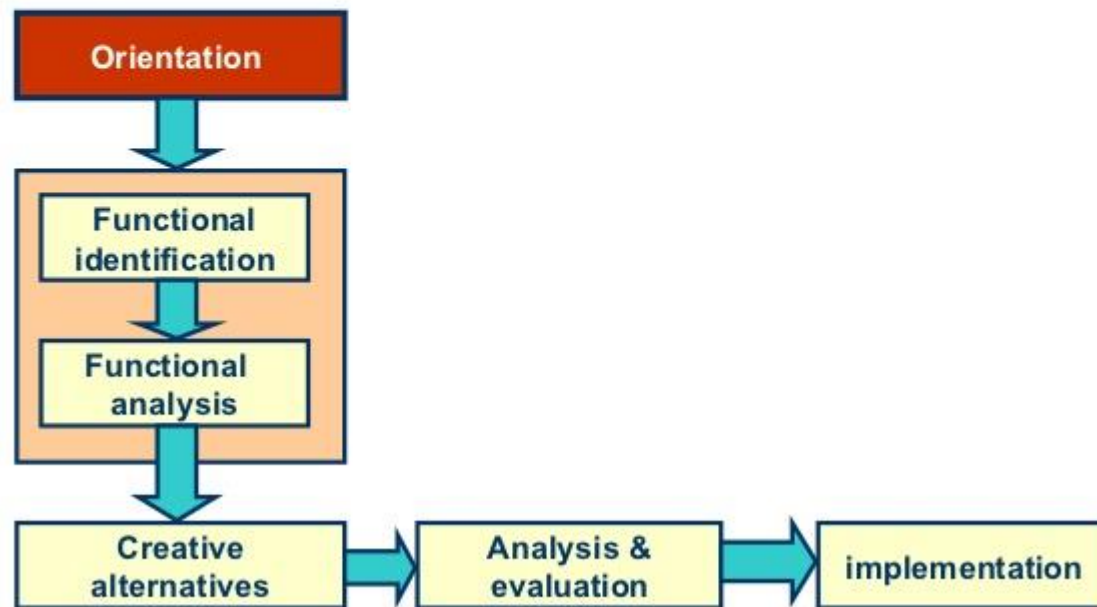
# Value engineering

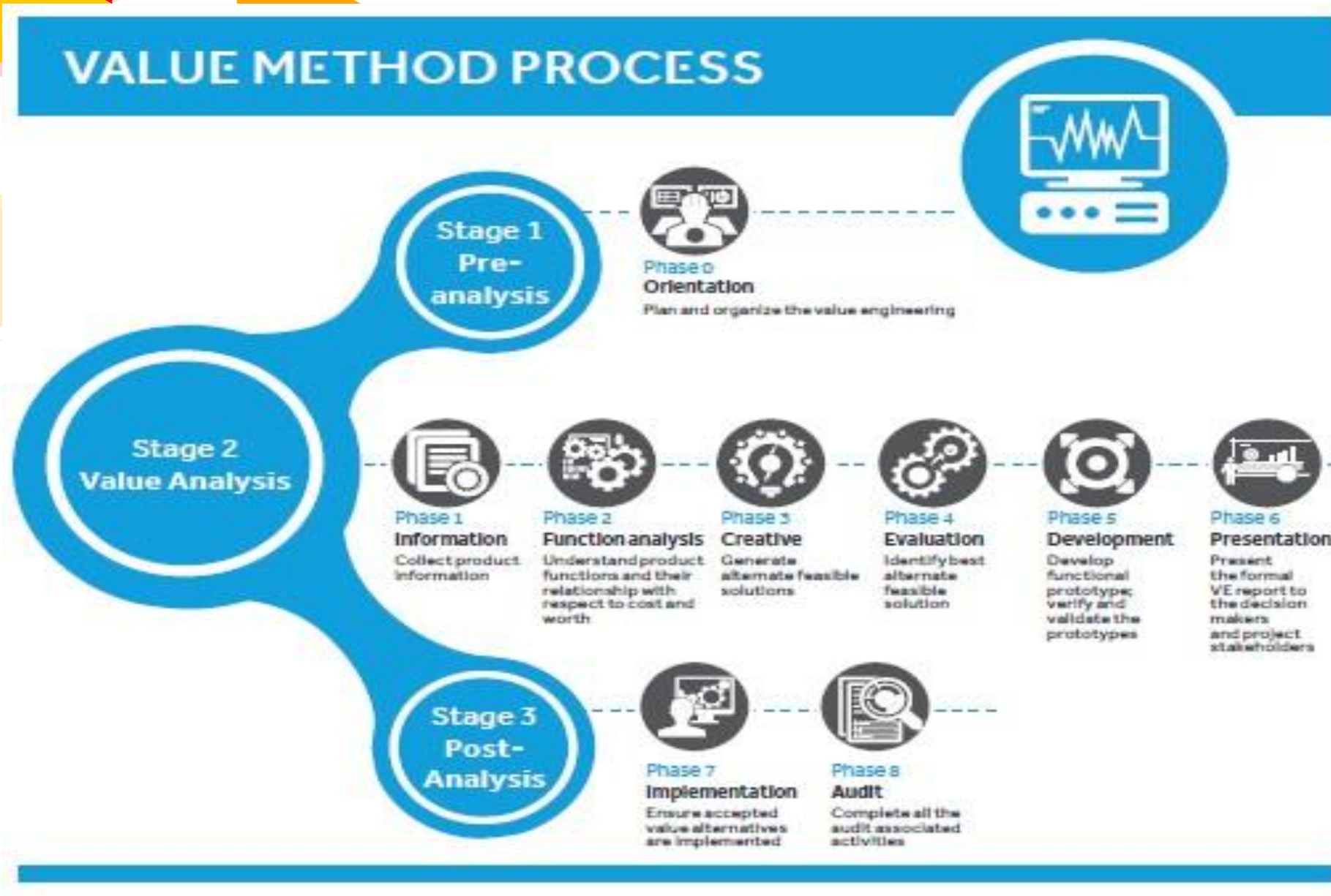
- ✓ Value engineering is a systematic method to improve the "value" of goods or products and services by using an examination of function.
- ✓ Value, as defined, is the ratio of function to cost.
- ✓ Value can therefore be manipulated by either improving the function or reducing the cost.

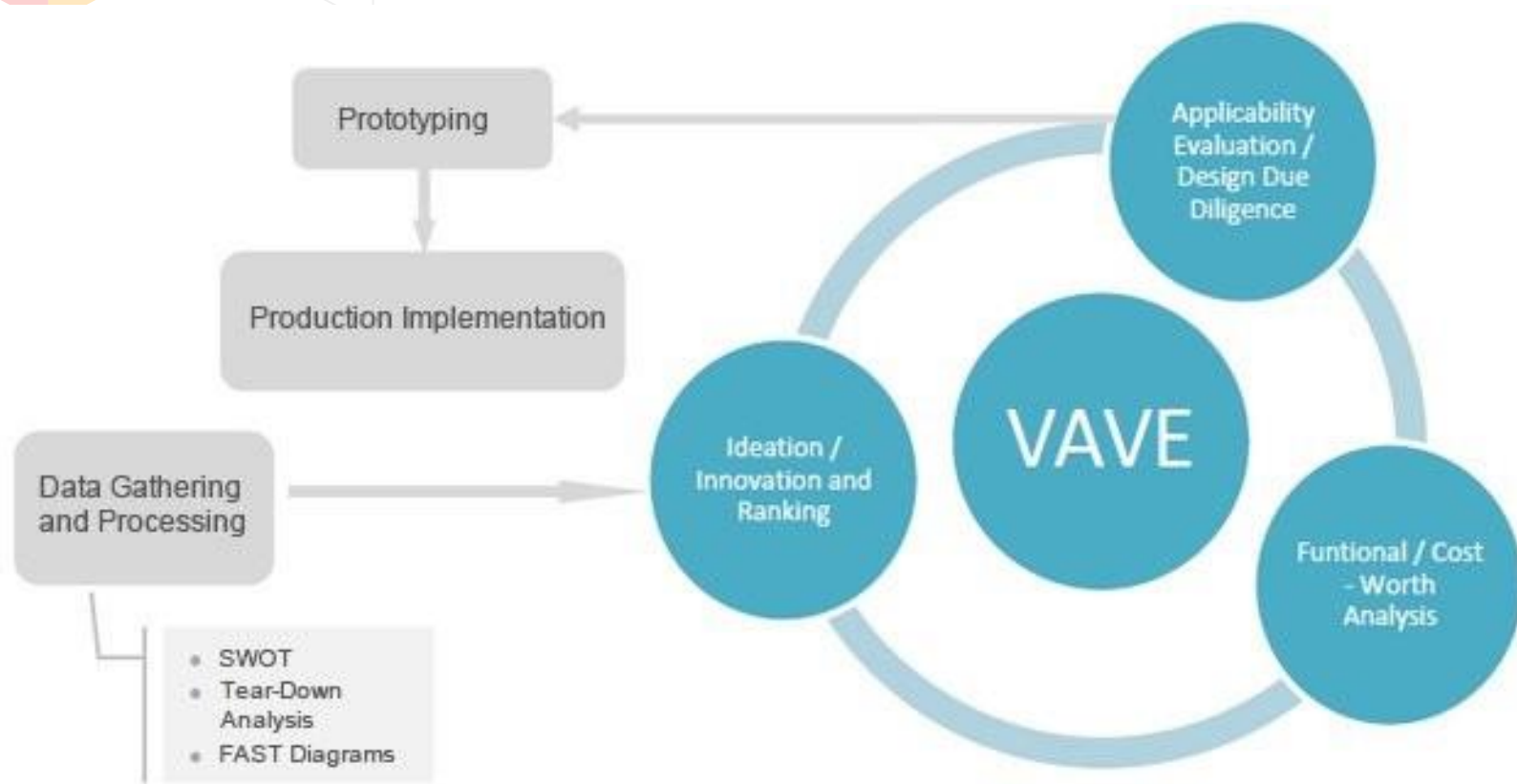




# THE VA PROCESS (JOB PLAN)











THANK YOU