

Course: Effective Purchasing Management

Sourcing and purchasing management is concerned with purchasing and arranging inbound movement of materials, parts and finished goods from suppliers and is therefore the opposite side of the coin from distribution which has a focus on outbound activity. The efficiency of the sourcing function, and therefore all downstream activity within the supply chain, is only as good as the efficiency of the supplier and therefore the sourcing function has a strong bias upstream and out of the company supply chain.

The ability to negotiate successfully is one of the most basic of the business person's skill sets. Significant positive or negative impacts are made to every organization's bottom line from the results of the negotiations conducted by their employees either with internal or external customers or suppliers. Therefore, it is essential for the continued success of any organization that employees are well trained and experienced in the planning, strategies, and conducting of negotiations. This seminar is designed to provide strong competencies in the methods and strategies that will result in successful negotiations with suppliers and contractors.

Who should participate?

This course is designed for people who have (or who aspire to) an operational management role with responsibility for developing enhanced relationships with suppliers.

It is also for managers and professionals involved in projects, contracts, purchasing, operations, maintenance, engineering, quality and other company activities that expose them or their staff to negotiations with contractors and suppliers and who want to improve their competency in this critical area of performance.

What will they learn?

Participants will complete the programme with an understanding of the sourcing function including resource planning, supply sourcing, negotiation, order placement, inbound transportation, receipt and inspection. Further, they will be given proven practical skills and techniques for application in the workplace.

Participants will also learn how to compile an analysis of the sourcing function and how to investigate current and future requirements. Next, they will develop options for functional improvement, finally recommending the optimum improvement to be implemented.

Organizational Impact

Improved efficiency and effectiveness of their staff in contract negotiations
Reduced total cost of purchased material, equipment and services
Improved buyer/supplier understanding and relationships
Better outcomes in disputes and claims between suppliers and contractors
Improved supplier performance
Having the advantage in negotiations as a result of their employees being better prepared and trained than the employees of the other side.
Greater likelihood that the organizations objectives in dealing with outside firms will be met.

Personal Impact

Increased skill sets in negotiations
A greater sense of confidence and professionalism
Applying increased negotiation skills to personal situations
Greater ability to obtain desired outcomes in negotiations
Increased recognition by the organization due to improved performance
Cost drivers in the purchasing process
Selecting special contract conditions

Duration: 5 Days

Course Content

1st Session: Introduction

Purpose of the programme and objectives
Negotiation – a definition
Different approaches in negotiations
Win/Win Win/lose or lose/lose approach
What is negotiable?
Identifying the “tradables”
Entry & Exit Points
Prioritising
Business cycle
Market conditions
Lead-time
Time limits – time as a tactic

2ND Session: The Purchasing Process

Supplier/buyer positioning
Rights and obligations of both buyer and seller
Raising and managing competitive invitations to tender
Requirements definition and prioritising – the prelude to the negotiation
Tender evaluation criteria – ranking and weighting
Evaluating the proposal
Assess Strengths & Weaknesses
Setting the negotiation strategy
Pricing & Payment terms
Interim Payments – stage or milestone
Through life costs and considerations
Cost drivers - Transportation issues – title and risk transfer
Cost implications of inventory - JIT
Volume, Specification and Quality Standards

3RD Session: The Supplier's View

Understanding elements of supplier cost to price structure
Understanding Supplier margins
Reducing Supplier prices without attacking their margins
Contracts and Special Clauses:
Types of contract
Warranties – standard, extended, design defect
Conditions – the core of the contract
Acceptance criteria – who, what, how, where and when
Spares, repairs, documentation and training
Failure to perform – remedies including Liquidated damages
Contract Price Adjustment Criteria:
Fixed price or firm price?
Contract Price Adjustment Criteria & Clauses
Use of Price Indices

4th Session: Preparing the Negotiating Strategy

The Discussion Phase
Team or individual negotiations
Preparing the team for pre-negotiation discussions
Confirming assumptions about initial positions
Negotiation objectives matrix
Information gathering and recording
Impact of available competition

5th Session: Final Learning Review and analysis

Analysis
Course evaluation and summary