

**STRATEGIC SOURCING**  
**MBA BATCH: 2017-19 / TRIMESTER - IV**  
**DEPARTMENT OF MANAGEMENT, BANGALORE CAMPUS**  
**AMRITA VISHWA VIDYAPEETHAM (UNIVERSITY)**

**INSTRUCTOR AND CONTACT INFORMATION**

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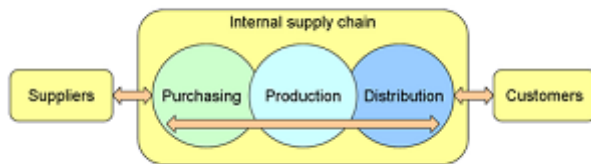
**INTRODUCTION**

**Strategic sourcing** is an approach to supply chain management that formalizes the way information is gathered and used so that an organization can leverage its consolidated purchasing power to find the best possible values in the marketplace.

Strategy Sourcing is an approach to procurement whereby the business needs of the organization are matched with the supplier market. It is much more than simply centralizing procurement. The approach is founded on a detailed understanding of both the spend profile of the organization as well as of the supplier market. This understanding is continually updated in order to deliver ongoing improvements to the organizations sourcing and procurement performance

A method of managing procurement processes for an organization in which the procedures, methods, and sources are constantly re-evaluated to optimize value to the organization. Strategic sourcing, which is considered a key aspect of supply chain management, involves elements such as examination of purchasing budgets, the landscape of the supply market, negotiation with suppliers, and periodic assessments of supply transactions.

It's a constant process of evaluating your own requirements and what's available in the market at any given time. That's **strategic sourcing** in a nutshell - making sure you're getting superior value on supplies and services and also making sure you've optimized your internal purchasing processes. You have to consider your budget (just like at home), survey the landscape of potential suppliers, and negotiate the terms of the purchase.



*Strategic sourcing is part of internal supply chain management*

### *Supply Chain Management*

Strategic sourcing is one aspect of **supply chain management (SCM)**, which encompasses the whole flow of bringing in materials from suppliers and managing the use of information and finances in order to get a product out the door. Sourcing is a collaborative effort between a business and their partners - there must be coordination in generating supply orders, order-taking at the partner's end, and order fulfilment. Supplies must be brought in at the appropriate time and in the correct quantity to maintain a product flow to consumers. Too much supply inventory can result in unneeded costs, and not enough inventory may delay a product's availability to customers. Collaboration can include using software to communicate parameters to your **upstream partners** (suppliers) and **downstream partners** (clients). For mid-to-large size businesses, sourcing information flow can be a part of **enterprise resource planning (ERP)** systems, which gather information from various parts of the business to give management insight into activities and aid them in developing a strategy.

## COURSE OBJECTIVE

### **OBJECTIVES:**

In the Supply Chain profession one gets to hear and read a great deal of information about strategic sourcing. It is one of the most powerful tools available to supply chain professionals and organizations to bring significant bottom line results of the company. As the procurement profession has evolved from the Purchasing Agent to Supply Chain mentality, strategic sourcing culminates the transformation as a collaborative process that is producing immediate and significant results required by the top management.

Strategic sourcing is the organized, collaborative and structured process of critically analyzing an organization's spending across locations with select suppliers and using this information to make business decisions about acquiring commodities and services more effectively and efficiently. This process helps Organizations to optimize performance, minimize price, increase achievement of socio-economic acquisition goals, evaluate total life cycle management costs, improve vendor access to business opportunities, and otherwise increase the value of each dollar spent. Strategic sourcing is a proven best practice and reflects how the Sourcing Department acquires goods and services.

Strategic sourcing is organized since some type of methodology or process is needed; it is collaborative since one essential requirement for any successful strategic sourcing effort is that of getting functional elements other than Procurement involved in the decision making and evaluation process. Used to create knowledge and value in the customer – supplier interface.

The objectives of this course are to help the student develop knowledge and skills in the areas of purchasing and materials management, an increasingly important element of modern global commerce.

This course aims to equip the participants, with the knowledge and techniques of purchasing as well as the legal issues affecting purchasing, the principles and practical knowledge required to plan and control inventory, a working knowledge on the principles and techniques of good sourcing practices for effective management of their organizations.

**METHODOLOGY:**

**The program combines with a blend of formal instructions, interactive discussions, case studies, audio-visual presentation, practical demonstrations and written assignments, Role Plays intended to allow students to solve practical problems**

**LEARNING OUTCOMES**

Upon completion of this course, students will be able to complete the following key tasks:

- Recognize the Fundamentals of Strategic Sourcing Theory and Practice
- Develop and Implement commodity Strategy
- Organize Strategic Supply Planning
  - Employ Tools for Supply Management
- Understand and use the Supplier Perception Matrix
- Know how to manage Supplier Selection and Relationship Management
  - Develop and use Spend Analysis/Portfolio Analysis
- Conduct -Negotiation and Contract Award using
  - Cost & Price Analysis
  - Goals and Metrics
- Manage Supplier Performance Management
- Implement e-procurement initiatives

## **COURSE DESCRIPTION**

In today's fast moving, competitive environment, all major projects need to be aligned with corporate objectives. Sourcing has the potential to deliver significant benefits, but large projects require substantial effort and often result in considerable change in the organisation. These projects demand resources and management attention that, depending on corporate priorities, may be better directed elsewhere. Good contracts often flounder because alignment with the corporate operating model is not adequately addressed. All of these factors should be considered prior to initiating sourcing activities. Strategic sourcing is an instrument for flexibility.

Neither a rigid decision nor a static contract, sourcing should and increasingly is being viewed as a "topdown" tool to connect strategy with implementation. It means moving away from providing services, on a function-by-function or business-unit-by-business-unit basis, to managing services on a company-wide scale. Designing and implementing service propositions that capture enterprise scale and maximize synergies is not easy and requires that a company addresses interconnected needs and capabilities across often far-flung global operations. However, companies across all industries that can move in this direction will enjoy better performance and cost efficiencies than organisations which persist with a function-by-function approach and redundant, subscale services.

The strategic approach results in an alignment between sourcing options and business objectives, and leads to more significant and sustainable benefits for the company. This program will describe strategic sourcing, propose a standard set of definitions, explain what distinguishes strategic from tactical sourcing, and indicate why we think that the former approach can be a significant differentiator for companies as they strive to enhance their competitive advantage.

sourcing goes beyond the simplistic formula of 'outsourcing what isn't core'. Instead, a strategic approach to sourcing connects the company's operational base to its business aspirations. It ensures that the service delivery model is not only aligned with, but can also help to drive forward, the critical operational and information technology (IT) aspects of the business strategy. This approach means going back to basics by considering the direction in which the business is heading and using sourcing options to help take it there.

Many executives fall into the trap of thinking of sourcing initiatives as merely tactical or technical projects rather than long-term, significant strategic programmes that fundamentally change the profile of the organisation. It is vital that companies do not underestimate the strategic value of their sourcing as the foundation for on-going success.

## **REQUIRED COURSE MATERIALS AND READINGS**

### **Suggested Readings/ References:**

1. Sourcing and Supply Chain Management—5e, Monzca, Handfield, Guinipero, Patterson, Cengage India
2. Purchasing And Supply Management—Leenders, Johnson, Flynn and Fearon, Tata McGraw Hill
3. World Class Supply Management--Burt, Dobler, Starling, Tata McGraw Hill

### OPTIONAL COURSE MATERIALS & READINGS (CASES, ARTICLES, REPORTS ETC)

Articles from the Internet.  
HBR case: How Chrysler created an American Keiritsu

### EVALUATION CRITERIA

#### Components and Weights

Components	Weightage (%)
Component 1 quiz	20%
Component 2 presentations	20%
Component 3 individual assignments	20%
End term	40%
<b>Total</b>	<b>100%</b>

### ACADEMIC DISHONESTY

It is the responsibility of each student to become acquainted with and to uphold the ideals set forth by the university. Cases of academic dishonesty shall be processed in accordance with the Academic Integrity Policy prescribed by the university. For any clarification, contact the administration department

### DETAILS OF SESSION: TENTATIVE COURSE SCHEDULE

WEEK	SESSION No.	TOPICS TO BE COVERED	ASSIGNED READING, CASE DISCUSSION, ASSIGNMENTS
Day 1& 2	Session 1to 3	<b>Introduction to Purchasing and supply chain Management.</b> Purchasing and supply Management	Recommended text Chapters 1, 2, & 3 Additional reading

		Role of purchasing in organizations Supply chains and value chains Evolution of Purchasing to Supply Management then to Sourcing management	Ratio of RMC to selling price –a view across industries. Assignment # 1. (Internal evaluation)
Day 2&3	Session 4to 6	<b>Sourcing Policies and Procedures</b> <b>Procurement categories</b> Raw Materials Components Semi-Finished Products Finished Products MRO items Product support Items Services Capital Equipment	Recommended text. Chapter 4, 6, 9 Assigned Case :Spartan Heat Exchangers, (How to deal with strategic changes in a dynamic environment) ( Internal evaluation)
Day 4&5	Session7to9	Purchase Management, Introduction to sourcing fundamentals, <b>The Sourcing Process</b> Sourcing objectives Responsibilities of Sourcing Relationship with other Departments Cross Functional Teams in Sourcing Price and Pricing Issues Strategic Sourcing, Aligning supply management and enterprise objectives Types of supply management strategies Evolving sourcing strategies Portfolio management. Management of inventories Supply management organization and structure	Recommended text. Chapters 5 & 6 Assigned case. Purchase Portfolio Analysis. United Express. (development of a frame work for sourcing) Case: Inventory Octopus, Grillrite ( Internal evaluation)
Day 5,6,7	Session10to14	Supplier selection, Management and Development/ Outsourcing Supplier evaluation and selection process Key supplier evaluation criteria Developing a supplier evaluation and selection survey Reducing supplier evaluation and selection cycle time Integrating supply management, engineering, and suppliers to develop new products and services Supplier performance measurement	Recommended text. Chapter 7 Assigned cases. SRM. Insourcing/Outsourcing Decision. Case: Farm Equipment Ltd. C. J. Industries. Aroma Industries. X Corporation and B Steel. Sourcing Dilemma

		Rationalization and optimization Supplier development Managing supply base risk	( Internal evaluation)
Day 8&9	Session15to18	<b>Purchasing Contracts and Negotiations</b> Negotiation framework Negotiation planning Power in negotiation Concessions Negotiation tactics: trying to reach agreement Win-win negotiation International negotiation Comprehensive global negotiation skills and enhanced cultural understanding Impact of electronic media on negotiations Contract Management Elements of a contract Types of contracts Long-term contracts in alliances and partnerships	Recommended text. Chapters 13 & 14 Assigned cases. Negotiations, IBN, Preparation of Contracts/Non- disclosure Agreements. Case: Kaiser Optics. National Institute of Immunology. ABC Furnishings. DPL/Filter Inserts-Role Play. (Internal Evaluation)
Day 10 &11	Session19to21	Tools and techniques; Value Analysis, Value Engineering, Process Management, Purchasing Performance Measurement Purchasing and supply chain performance measurement and evaluation Developing a performance measurement and evaluation system Outsourcing e-procurement Evolution of e-SCM systems E-sourcing basics	Recommended text. Chapter 12 & 18 ( Internal evaluation) (supplier performance monitoring, supply strategies)
Day 11 &12	Session22to24	Quality in MM, Factors affecting supply management's role in managing supplier quality Supply quality management using a TQM perspective <b>Global Sourcing</b> Why Global Sourcing? Developing a worldwide sourcing program Moving to a global sourcing philosophy	Recommended text. Chapter 8, 11 Managing Supplier Quality, International Purchase Price Determination. Case: Bangalore Agricultural and Complex Parts ( Internal evaluation)

\*\*Note: Faculty should give tentative schedule of all the 24 sessions and Topics to be covered along with the cases and assignments if any. (If required, changes can be done at later stage)

\*\* 1 Session= 75 Min. (1.15hr)