Supplier Management â€“ an important facet of Procurement Strategy

By Rahul Awtaney

Article published on November 25th 2011 | Business

Procurement over the years has evolved from merely being transactional (being cost focused) to being strategic in its approach. This transformation can be majorly attributed to the changing macroeconomic conditions around the globe.

Procurement professionals have leveraged technology in numerous areas of procurement to ensure it delivers value to the bottom line and at the same time add value to organizational processes. This act of procurement has now placed procurement in the strategy room of business houses across the globe.

â€¢ Some of the key areas of strategic imperatives for procurement professionals are,

â€¢ Visibility into existing spend portfolio

â€¢ Strategic decision making on future sourcing projects

â€¢ Creating, Managing & Awarding contracts

â€¢ Maintaining healthy supplier relationships and,

â€¢ Contribution towards the bottom line

This article looks into the importance of supplier management as part of procurement strategy to ensure a long term sustainable relationship with the suppliers and prevent costly supply disruptions.

Supplier management is increasingly gaining importance among organizations. One of the prime reasons for the growing importance can be attributed to the volatile business environment.

Volatility has affected not only the businesses, (the recent Japan earthquake & tsunami, floods in Vietnam being the prime examples) but they are also having an impact on the suppliers. (Rise in interest rates and fear of recession are impeding suppliers from raising capital from the market)

These volatilities have been the causative agent for a large number of supply disruptions faced by organizations across the globe. This scenario has resulted in organizations to rethink & redraw their procurement strategy to prevent costly supply disruptions.

An important step towards this goal is to understand and manage suppliers. Good supplier performance is one of the keys that can enable firms to achieve business performance excellence. Monitoring supplier performance not only encompasses risk mitigation but also helps in prevention of problems. It also benefits the organization with,

â€¢ Improved collaboration between suppliers and the organization leading to better coordination

â€¢ Enabling decision making based on quantitative data which in turn ensures quick and rational decision making

â€¢ Preventing supply disruptions and managing volatility in the business environment, requires procurement to think strategically about its supplies & suppliers.

Article Source:
http://www.articleside.com/business-articles/supplier-management-an-important-facet-of-procurement-strategy.htm - Article Side

Rahul Awtaney - About Author:
At a Zycus we are 100% dedicated to positioning procurement at the heart of business performance. For more than a decade we have been the world's most trusted leader in Spend Analysis. With our spirit of innovation and a passion to help procurement create even greater business advantages, we have evolved our portfolio to a full suite of Procurement Performance Solutions - Spend Analysis, eSourcing, Contract Management, a Supplier management, and a Financial Savings Management.

Article Keywords:
Supplier Performance, Supplier Relationship Management

You can find more free articles on Article Side. Sign up today and share your knowledge to the community! It is completely FREE!