Procurement Performance Management- Six steps to streamline procurement by James Thomas

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Purchasing requires getting the best product at the best price, on time and in the right place. Procurement Performance Management is a process which involves managing the ordering, receipt, review and approval of items from suppliers. Using a Procurement performance Management Process, one can ensure that the goods received meet the organizations need. One of the critical aspects of procurement performance management is to specify how the supplier relationships will be managed, to ensure a high level of service. With an increasing trend of outsourcing, procuring goods and services from external suppliers can be a critical path for many projects. It's therefore crucial that you manage your supplierâ€™s performance carefully, to ensure that they produce deliverables which meet your expectations. An efficient procurement performance management process provides an end-to-end visibility of the entire procurement process to analyze supplier performance and contract compliance.

The steps involved in procurement management process are as follows,

Plan purchases and acquisitions: Process of determining the items to purchase for your project and when you need them.

Plan contracting: Process of creating requirements for all the products and services your project team needs and it has to be performed by the project management team. At this stage, organizations need to start identifying potential companies that can supply the products and services.

Request seller responses: Identifying a list of vendors to consider and receive information on their capabilities and prices through vendor proposals and price quotes.

Select sellers: Selecting sellers is the process associated with actually choosing the vendor that will provide the product or service.

Contract administration: Involves managing the relationship with the contracted company.

Contract closure: This occurs if the contractual relationship existed only for the life of the project. For instance, if the contract was in place to provide raw materials for a particular project, then the contract will probably end after the project is over.

The entire gamut of processes involved in procurement and order fulfillment functions needs to be streamlined to ensure optimum results. A well-established procurement management process enables an organization to,

â€¢ Negotiate prices and get the best quality resources for production processes

â€¢ Deliver collaborative RFx and auctions, plus bid analysis.

â€¢ Support automated contract creation, management, and reporting.

â€¢ Identify supplier contract milestones

â€¢ Review supplier performance against contract

â€¢ Identify and resolve supplier performance issues

â€¢ Communicate the status to management

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James Thomas - About Author:
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