In this issue of Premium Procurement Bulletin…

6 Avoidable Pitfalls of Procurement Quality Assurance

Quality control standards have evolved to fit different production methods since the Middle Ages but it wasn't until shortly after the Industrial Revolution that quality inspections and specialized departments for quality control came into being.

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Quality assurance as it is known today was first introduced in Japan in the mid 1940s. Q.A. found its place in the US supply chain in the 1980s. Three decades later, procurement experts are still falling victim to very common pitfalls that could easily be avoided by implementing effective practices of quality assurance.

#1: Lack of Structure

Clearly defined roles and responsibilities are essential for effectively ensuring Quality assurance. Without properly established Q.A. goals, however, policies, duties, and other elements aren't easily explained. The challenge many people have is defining quality as it relates specifically to the long-term success of their company. Your process should watch for all problems that could impact any point of the supply chain.

#2: Relying on Inspectors

One of the biggest mistakes procurement experts make is confusing quality assurance with quality control. An effective quality assurance process focuses on meeting or exceeding the expectations of the end-user, not just complying with standards. Rather than tests or inspections to rectify bugs or defects in the finished product, Q.A. takes place throughout the procurement process to pinpoint and correct any foreseeable problems.

#3: No Accountability

A successful quality assurance process improves the supply chain as a whole, primarily because everyone involved in creating the end product is directly accountable for their performance. From suppliers and carriers to purchasers and distributors, the Q.A. process should regularly check all supply chain activities so that it's easy to find the source of any weaknesses.

#4: Failure to Communicate

Unlike Quality control and testing-based quality processes, Quality assurance focuses on improving every aspect of the supply chain to get the results correct the first time. In addition to personal accountability, this means targeted training to resolve problem areas and effective communication between all supply chain entities. Vendors, logistics specialists, and other parties should have a clear understanding of all specifications and requirements so there's no question about expectations.

#5: Inability to Change

Just like the needs of consumers, a working supply chain is constantly shifting. Companies that continue to use the same quality assurance processes can't always meet the changing demands of their clients. Review policies, goals, and responsibilities regularly and update your Q.A. processes to show the changes.

#6: Expecting Overnight Results

A company must practice quality assurance processes over time before they bring the desired results. Unlike standalone audits or inspections, Quality assurance builds on existing qualities to improve the overall supply chain process and not simply eliminate the recognized flaws within the supply chain. An effective quality assurance program offers long-term benefits, but it requires time and effort to make it happen.

Procurement Quality assurance is essential to a strong, successful supply chain. Communication, clear expectations, and regular monitoring of all processes will help you avoid the most common of Quality assurance pitfalls.

Master Procurement Negotiation in 6 Easy Steps

Whether you have 20 years of procurement experience or you're new on the supply chain scene, negotiating contracts with suppliers is often intimidating and stressful. Procurement professionals aren't always trained in the art of negotiation, although the salespeople they're working with are usually very well-trained. These easy steps will give you the edge you need to negotiate deals like a pro.

Step 1: Do Your Homework

Image via Flickr by thetaxhaven

Preparation is everything when it comes to negotiating. Before you sit down with a supplier, do plenty of research on the products you're purchasing. Understand current market trends and pricing, as well as alternatives available from other competitors. If possible, get to know your supplier and the tactics they use to make sales. Even a small amount of knowledge gives you a big advantage at the table.

Step 2: Choose Your Arena

In today's world of digital communication, face-to-face negotiations are still preferred in most supply chain situations. Meeting at your supplier's office can have several advantages, but many people feel more comfortable in their own territory. An off-site meeting is a neutral alternative. Wherever you agree to meet, avoid sitting face to face. Opt for a more collaborative, non-competitive seating arrangement.

Step 3: Make Your Offer

A well-prepared negotiator often has an advantage when they make the first move. As you're doing your homework, set your expectations and develop your opening offer. A reasonable figure, backed by reliable data, provides both sides with a foundation to build upon. A good first offer is generally slightly higher than the estimated top dollar of the supplier, based on your research.

Step 4: Listen and Ask

The biggest mistakes people make during negotiations are talking too much and listening too little. Both sales people and purchasers are guilty. After the first offer is on the table, watch your counterpart's reaction closely and listen to their needs. Ask questions that will help you understand their side better, but don't divulge too much information of your own.

Step 5: Be Aware of Tactics

Sales people are often trained in negotiation and may have several techniques under their belt. In a negotiation, both parties want to gain the most possible benefits so your opponent may not give in easily. Pay attention to body language and facial expressions that may give more insight into your supplier's side of the deal. Remember that your first offer is a starting point and will usually be countered, but watch out for tactics like flinching and bluffs.

Step 6: Stay Flexible and Don't Give Up

A negotiation is "a discussion aimed at reaching an agreement." Procurement professionals who develop solid relationships with their suppliers are usually more successful than those who make quick deals based solely on price. A mutually beneficial contract that meets the needs of both parties will give long-term benefits. Give your supplier choices by presenting two or three offers at once and stay open to counter-offers until you both agree.

Remember that negotiations are not wars between buyers and sellers. When you're armed with a little info and the right attitude, you can close any deal.

4 Signs of Operational Dysfunction & How to Resolve It

When operational dysfunctions occur, the source of the problem is usually linked to the supply chain. Effective supply chain systems integrate seamlessly into a company's operations and need a great deal of teamwork for success. A dysfunctional supply chain can drag a business under very quickly. Here are some of the most common signs to watch out for.

#1: Distrust and Hidden Agendas

Image via [Flickr] by Ding Yuin Shan

One of the most common obstacles in successful supply chain management is distrust or lack of openness among the entities involved in the process. Most supply chain teams consist of both internal and external parties, often with conflicting expectations that can hinder trust and honesty. A lack of trust is a big dysfunction for any team.

Solution

Building trust takes time, but a team that can work together, communicate effectively, and put aside their own agendas will take a business to all new levels. Develop a functional supply chain by:

- Holding regular meetings
- Being upfront about expectations and compensation
- Allowing members to vote on major decisions
- Taking the time to listen to ideas, opinions, and concerns

#2: No Defined Roles

Members of a dysfunctional team often have a lack of accountability. When a problem arises, everyone points fingers and passes the blame, but no one jumps in to resolve it. When this is a common scenario up and down the supply chain, it's time to seek out the underlying problem.

Solution

Developing a more structured strategy is typically the best way to improve accountability and commitment among team members. Each member should have a well-defined role with clearly stated responsibilities. Offer feedback regularly and continue to focus on effective communication.

#3: Lack of Vision

Successful businesses are always looking forward to the future. When that vision isn't there, efficient and profitable operations are often missing as well. Some teams lose their purpose due to poor communication or unresolved conflicts, while others may have never clearly stated their goals.

Solution

Without a vision and the drive to make it a reality, success is always just out of reach. Again, communication is essential, but there are other ways to help your team reach their full potential.

- Hold strategic planning meetings often to discuss short and long-term goals
- Allow team members to play a role in goal development
- Make innovation a priority throughout the supply chain
- Consistently track progress toward achieving your goals

#4: Insufficient Technology

Operational dysfunction isn't always a result of human behavior. Sometimes teams simply don't have the tools they need to adequately watch their processes and assess their results. Limited funds are often to blame, but some companies aren't aware of their options.

Solution

Today's technology allows supply chain professionals at all levels to see real-time data and make immediate decisions. Without a good system, companies will fall behind the competition while wasting time and money. Invest in up-to-date software that suits your needs and stay current with the latest industry trends in digital operations.

Operational dysfunction can destroy a business if it goes unnoticed. Focus on effective communication to keep your supply chain team healthy and functional.

Forecast Accuracy Issues? 7 Tips to Improve Projections

Supply chain experts and business analysts use many different models to forecast supply and demand. When it comes to forecast accuracy, no single technique gets it right every time, but the tips below can help you improve your projections.

#1: Take Advantage of Available Intel

Image via Flickr by victor1558

The supply chain affects several points of business operation and involves a variety of professionals. The most accurate forecasts are often a collaborative effort between local managers, industry analysts, suppliers, and other experts who influence inventory and demand trends. A unified framework for projections that includes all relevant data is usually the most successful.

#2: Inventory Levels Should Reflect Demand Forecasts

Consumer demand for a product is the most important piece of data in the supply chain. Companies that accurately predict future demand have more control over inventory levels and can plan appropriately with manufacturers and suppliers to meet those demands. Cross-platform forecasting and collaboration will help businesses overcome obstacles that may hinder performance.

#3: Be Realistic with All Predictions

An optimistic forecast can occasionally benefit the bottom line, but in most cases, predictions that are too unrealistic lead to losses. Again, communication and sharing at multiple levels is the key to creating realistic models. When only limited information is available, use statistical data and earlier trends to make a conservative prediction.

#4: Choose Tools Wisely

Some supply chain experts depend on forecasting software and similar tools to create accurate forecasts, while many professionals argue that these systems are only good for problem solving. Programs that allow real-time monitoring of sales and inventory levels are a big help to many companies, but tools and technology alone can't improve forecasting accuracy.

#5: Consider the Past, Present, and Future

Effective supply chain strategies take a holistic approach to management and forecasting. Past trends and historical data are a significant suggestion of the future, but current trends and consumer habits are equally important. Economic forecasts, industry outlooks, and other long-term predictions should also be considered to improve the overall accuracy of your forecasts.

#6: Forecasting Is More than Problem Solving

Many popular models used to forecast demand focus on solving common problems in the supply chain, such as inventory shortages or warehousing concerns. Making smart decisions during unforeseen circumstances is more important when it comes to projections. Professionals who learn to weigh their options and analyze the consequences associated with each typically make more accurate forecasts.

#7: Use New Data to Improve Forecasts

Supply chains are becoming increasingly dynamic, making accurate projections even more of a challenge. Companies that consistently monitor their success and immediately work to integrate changes can drastically improve the accuracy of their predictions and are in a better place to meet the needs of their consumers. Flexibility and quick response time are tremendous assets to the supply chain.

Predicting the future will always be a challenge, but supply chain professionals who make communication, collaboration, and flexibility their priorities can feel confident that their projections are reliable.

6 Supply Chain Issues That Hurt Your Bottom Line

Effective supply chain management is the best way to cut costs and increase profits, but there are some issues that do more harm than good if they're not handled correctly.

#1: Supplier Relationships

Image via Flickr by Victor1558

Suppliers play a critical role in the supply chain. Lack of communication between supply chain managers and vendors can have a negative effect on the overall success of a company. The best strategy is to focus on long-term partnerships with each major supplier. Understand their capacity, as well as their strengths and weaknesses to avoid disruptions and to develop a seamless process that boosts productivity instead of damaging it.

#2: Consumer Relationships

The end-users are the most important link of the supply chain and have the most influence on your bottom line. Again, communication is the key to success. Concentrate on the demands of your customers and tailor your supply chain to meet those needs. Interaction on a personal level will keep consumers involved in the supply chain process and will help you stay ahead of the competition.

#3: Lack of Fresh Data

Depending on last year's sales or quarterly predictions is a big disadvantage in today's fast-paced market. Companies that rely solely on stale data often experience shortages, surpluses, and other supply chain issues that eat away at profits. In the era of 'big data', businesses can watch statistics and sales in real-time, along with inventory levels, consumer trends, and cash flow to keep the supply chain strategy on target.

#4: Technology Dependency

Modern technology and statistic monitoring play a big role in effective supply chain management, but becoming too dependent on these systems is just as harmful to a company's success. Without an organized strategy, even the most advanced SCM technology is one more cost deducted from the bottom line. IT is important to a successful supply chain, but it's only a piece of the puzzle.

#5: Mediocre Talent

A supply chain can only be as successful as the people who manage it. In the past, many companies haven't given supply chain management the attention it deserves in the office. A dedicated SCM team with experienced and knowledgeable members will boost profits as well as sales in the end. Ongoing training and professional development are a part of every successful supply chain department.

#6: Cost Reduction Priorities

One of the biggest mistakes a supply chain manager can make is placing too much emphasis on reducing costs. Saving money will obviously increase profits, but if cost reduction results in loss of quality or shortages in inventory, it will have a negative impact on sales in the long run. Productivity and innovation are the focus of most successful companies, with cost reduction techniques falling naturally into place.

The supply chain can make or break a company, depending on how the strategy. Paying attention to these key issues can make sure your business reaches its full profit potential without hurting your bottom line.