In our first blog in this series the overall structure of the IIAPS Masterclass in the Principles of Category Management and Strategic Sourcing was outlined.

The overall structure of the 24 modules in the IIAPS Best Practice Masterclass is shown in the image to the right.

The remainder of this blog will briefly explain the content of the six modules in Part A of the Masterclass. These are available through the IIAPS YouTube Media Channel.

www.youtube.com/c/IiapsOrgMedia

Part A deals with The Role of Procurement and Supply Chain Management organisationally, as well as its strategic and tactical competencies.
Module 2: The Role of PSCM and the 8-Step Sourcing Process

In this Module, the operational role of Procurement and Supply Chain Management competence within organisations is outlined - the strategic and/or tactical roles of the competence is explained later in Modules 4, 5 and 6.

Put simply, the operational role is the functional sourcing process through which organisations acquire the supply of outsourced goods and/or services for the best value for money possible, given their current scope for leverage over suppliers and supply chains.

As the diagram demonstrates this sourcing process has a pre-contractual (Procurement or Purchasing) phase with 6 Steps, and a post-contractual (Supply) phase with 2 Steps.

The diagram shows that there are 6 pre-contractual Steps:

1. Category Segmentation and Team Selection
2. Specify Business Requirements
3. Supply Market Analysis
4. Sourcing Options Selection
5. Tendering and Market Test
6. Negotiation and Contract Award

In the post-contractual phase there are 2 Steps:

7. Contract Start-Up and Supplier Performance Management
8. Iterative Transition to New Strategy

The accompanying YouTube video (Module 2: The Role of PSCM and the 8-Step Sourcing Process) provides a basic introduction to what managers are expected to be able to do operationally during each of these 8-Steps in order to attain advanced competence in Procurement and Supply Chain Management (PSCM).

In the next module in this series, Module 3: Managing the PSCM Process, we discuss the structural options, between aggregated centralisation and disaggregated federalism, which are available for organisations when deciding on how to manage this process internally.

Module 3: Managing the PSCM Process

In this Module, the three major ways in which organisations normally choose to manage the overall procurement and supply chain management process and its competencies are outlined.

Put simply, organisations have to decide who should have the Role, Responsibility, Authority and Accountability (RRAA) to manage either the whole of the 8-Step pre- and post-contractual Sourcing Process, or how it should be managed by individual Functions, or, ideally, cross-functionally.

Although one function might have centralised control of RRAA across the whole process, normally this process is not managed by one Function on its own, but by a variety of Functions at different stages of the 8-Step process.
In resolving this conundrum, as the Module explains, that there are three broad choices available from which organisations can select:

- Centralised (HIERARCHY)
- Hybrid - Part Centralised/ Part Decentralised (CLAN)
- Decentralised (FRAGMENTATION)

The accompanying YouTube video (Module 3: Managing the PSCM Process) explains that, while larger organisations tend to adopt CLAN solutions, there is no correct approach that organisations must take when seeking to identify the most appropriate management structure for allocating RRAA at each of the 8 Steps in the process. Rather, organisations must identify which of these choices is the most effective given their overall strategic and operational approach.

Nevertheless, whichever management structure is adopted, if only the Procurement and/or SCM Function are trained in best-in-class procurement and supply chain management competencies, then sub-optimal sourcing is inevitable. This lack of joined-up training across ALL Functions is identified as a major issue in most, if not all, organisations.

In the next module in this series, Module 4: The Academic Debate about the PSCM Role, we discuss the debate amongst academics and other writers about whether the PSCM Function is of strategic or only tactical importance to an organisation.

Module 4: The Academic Debate about the PSCM Role

In this fourth Module the debate amongst academic and practitioners about whether the PSCM role and competence is of strategic or only tactical importance to an organisation is outlined.

Three major arguments are presented, as follows:

1. The Role is only ever of Tactical Importance
2. The Role is always of Strategic Importance
3. The Significance Depends on the Specific Circumstances Facing the Organisation

The IIAPS view, outlined in the YouTube video Module 4: The Academic Debate About the PSCM Role, is that the third argument is the most appropriate way to think about the importance of the role and competence. Our view is that, if it can sometimes be tactical and sometimes of strategic importance, then this will have profound consequences for how the Function is managed and resourced within specific organisations.

It also means that the general circumstances that determine whether the role and competence is of strategic or tactical importance must be fully understood (these are explained in Module 5: The Strategic and Tactical Roles of PSCM), but also the specific circumstances under which the PSCM role and competence becomes of strategic and critical importance to an organisation (this is explained in Module 6: When is PSCM Critical and Strategic?).
Module 5: The Strategic and Tactical Roles of PSCM

In this Module the general circumstances that determine whether the PSCM role and competence is of strategic or only of tactical importance are explained. The discussion focuses initially on the contribution of Cost Reduction to the profitability and overall strategic goals of an organisation.

The IIAPS view, outlined in the accompanying YouTube video (Module 5: The Strategic and Tactical Roles of PSCM), is that achieving Cost Reduction targets is not the only factor that should be pursued by PSCM Functions and that Value for Money from the supply (see Module 13: Value for Money for Buyers) is a much better indicator of strategic impact.

Despite this, it is true to say that most organisations tend to measure the PSCM role and competence primarily against cost-down targets, and this is why it is normally used as the key performance indicator of the Functions contribution to the strategic goals and bottom-line performance (profitability) of an organisation.

Given this, the discussion shows that while a significant % cost reduction can have a strategic impact in some organisations and circumstances, it may not in all. Similarly, while a small % cost reduction will normally mean a limited strategic impact, in some organisations and circumstances a small % reduction can, however, have a strategic impact.

This leads to the conclusion that the impact of Cost Reduction varies by type of organisation, economic circumstance and industry sector. Furthermore, in some complex and large organisations the impact may vary across Business Units and Divisions operating within very different industry sectors and circumstances and over time. In such organisations the effective management of the PSCM role and Function is extremely challenging, and especially if both a strategic and tactical roles have to be accommodated within one PSCM Function.

The final conclusion is, therefore, that practitioners need a way of thinking about when the PSCM role and competence is likely to be of strategic or tactical importance to an organisation. This is explained in the next module in this series - Module 6: When is PSCM Critical and Strategic?

Module 6: When is PSCM Critical and Strategic?

In this Module a methodology is provided to allow practitioners to identify when the PSCM role and competence is likely to be of strategic or tactical importance to an organisation. Using the matrix on the next page, which segments % of outsourced spend against profitability, the module explains how the PSCM role and competence can classified into the four different categories of:

- Transactional
- Operational
- Cyclical
- Critical
Part A: The Role of PSCM

The accompanying YouTube video (Module 6: When is PSCM Critical and Strategic?) explains that, only when an organisation is operating in the Critical quadrant is the PSCM role and competence of strategic importance to an organisation. In all other quadrants the PSCM role is likely to remain primarily of tactical importance, although how it should be managed and resourced will vary across each of these three quadrants.

In the next module in this series - Module 7: Key Conclusions and Learning Outcomes about the PSCM Role are outlined.

Module 7: Conclusions and Learning Outcomes about the PSCM Role

In this Module key conclusions and 10 learning outcomes are summarised.

Perhaps the most significant conclusion is that while there are many organisations in which the role of PSCM will only ever be of tactical importance, even in these there may well be some categories of supply/spend that are of strategic importance to the organisation. This is discussed within the YouTube video Module 7: Conclusions and Learning Outcomes about the PSCM.

Given this, our overall conclusion is that even practitioners operating in organisations in which the Function will only ever be of tactical significance must understand what advanced world-class approaches to category management and strategic sourcing look like. This is because they may well have to use these advanced skills and processes in some, if not all, of their categories of supply/spend.

These advanced skills and processes are the subject of the remainder of the Masterclass.

This concludes Part A of our Masterclass about The Role of PSCM. In Part B there are two modules about World-Class and Best-in-Class Category Management & Strategic Sourcing approaches.

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International Institute for Advanced Purchasing & Supply

info@iiaps.org

www.iiaps.org/blog

@IIAPSpurchasing