

GLOSSARY

Acquisition of materials, procurement, supply management Alternative terms for purchasing.

Agent Is a person or entity who has been authorized to act on behalf of some other person or entity.

Arbitration Is 'the submission of a disagreement to one or more impartial persons with the understanding that the parties will abide by the arbitrator's decision'.

BATNA Is the best outcome one party can get without negotiations.

Bill of lading, Freight bill, delivery terms Types of documents needed for material delivery.

Blanket purchase order Order covering several deliveries over an extended period.

Breach of contract Occurs when one party does not act as agreed in a contract.

Buyer-seller Collaboration Is the process by which two parties adopt a high level of purposeful co-operation to maintain a trading relationship over time.

Centralized purchasing Has all the actual purchasing done centrally, typically in the corporate headquarters.

Clauses and schedules Important elements in a contract.

Commercial law Is that 'body of [the] law that refers to how business firms (parties) enter into contracts with each other, execute contracts and remedy problems that arise in the process'.

Contract Is a legally binding agreement that is the result of an offer and acceptance, with an agreed consideration.

Contract Is a legally enforceable agreement between two or more parties to do specified actions in return for some consideration.

Core capability Key activity that an organisation does particularly well.

Cost analysis Considers each individual element of cost (material, wages, energy, overheads, profit, etc.) that together add up to the final price.

Cross-functional sourcing teams Consist of people from different functions – and increasingly

different organizations – brought together to achieve purchasing-related tasks. The tasks can be specific (such as product design or supplier selection) or broad (such as reducing unit costs or improving quality).

Culture Is a very complex idea, but it includes all the understandings that govern human interaction in a particular society. It includes a mixture of language, values, attitudes, customs, social institutions, education, religion and so on.

Decentralized purchasing Devolves all purchasing decisions to local facilities.

Distinctive capability Activities that an organisation does so well that it gains a competitive advantage.

Downstream The tiers of customers after an organisation receiving its products.

Effectiveness Is the extent to which managers make decisions that move them towards a previously established goal.

Efficiency Measures how well the goal is reached, what resources are used to reach the goal or what sacrifices are necessary to reach the goal.

Electronic data interchange (EDI) The automatic exchange of information between remote computers.

Electronic fund transfer (EFT) The automatic transfer of money between accounts.

Entry qualifiers Features that are needed to add a potential supplier to a shortlist.

Enterprise resource planning (ERP) Integrates the flow of information through various business functions.

e-Supply chain Refers to any supply chain that includes electronic communications and the internet – giving a component of e-commerce. The associated management function becomes e-SCM.

Ethics Are the set of moral principles or values guiding our behaviour.

Insourcing Means that an organization internally makes a particular material that it needs for its operations.

Integration Is the process of bringing together different groups, functions or organizations, to work together on common business related assignments.

Kanban Is used to control operations by using containers, cards or visual cues to control the production and movement of materials through a supply chain.

Logistics Is the broad function responsible for all aspects of the movement and storage of materials on their journey into, through and out of an organization.

Logistics Is the function responsible for moving materials through their supply chains.

Material release Message to arrange another delivery with a blanket order.

Material requirements planning (MRP) Is a way of planning the flow of materials by calculating requirements from a master production schedule.

Materials Are all the diverse mix of things that an organization needs to perform its operations.

Maverick or backdoor buying Occurs when departments buy materials themselves without consulting the purchasing department.

Mediation, minitrial, rent-a-judge, dispute prevention Methods of conflict resolution

Negotiation Is a process of formal communication, either face-to-face or electronically, where two or more people come together to seek mutual agreement about an issue or issues.

Offer Acceptance and consideration—key elements for a contract.

Operational decisions Are short-term decisions that have relatively minor consequences for specific activities.

Order fulfilment All the activities that combine to satisfy a customer's order.

Organizational design Is the process of evaluating options and selecting the structure, formal communications, division of labour, co-ordination, control, authority and responsibility that best achieves the organization's aims.

Outsourcing Means that it buys the material from an external supplier.

Performance measurement system Consists of all the procedures to collect, analyse and report current data needed to assess how well a department is performing its prescribed activities.

Planning In the context of negotiations planning leads to a method or scheme.

Policies Provide rules or guidance that staff should follow when doing certain activities. They put

constraints on staff behaviour. They show how the purchasing function will work to achieve its strategic aims.

Portfolio analysis Classifies different types of purchases.

Position Is the stated demand that is placed on the table by a negotiator.

Price analysis Is the process of comparing a supplier's prices with external price benchmarks.

Principal Is the corresponding person or entity for whom agents carry out their authority.

Procedure manual Is a how-to manual, describing how to do various jobs.

Procedures Are the operating instructions that detail the tasks done in purchasing.

Process capability Is the ability of a process to generate outputs that meet specifications and customer requirements.

Process, logistics channel, value chain, demand chain Give different views of supply chains.

Purchase order Is the legally binding document that triggers the delivery of materials. It is the contract between a buyer and seller.

Purchase requisition Document to request purchasing to buy materials.

Purchasing Is responsible for acquiring all the materials needed by an organization. It consists of the related activities that organize the flow of goods, services and other materials from suppliers into an organization.

Purchasing excellence Suggests that efficient procurement gives a competitive advantage.

Purchasing process Is the set of related activities and procedures that are used to acquire materials for an organization.

Purchasing process The activities used to acquire materials.

Quality In its broadest sense, is the ability of a product to meet – and preferably exceed – customer expectations.

Relationship management Consists of all the activities that organizations use to enhance relations with other parties – including the ability to act ethically, listen effectively, communicate and use creative problem solving.

Request for quotation or proposal Document to collect terms, conditions and other information from potential suppliers.

Reverse logistics Occur whenever materials are returned by customers to their original suppliers.

Reverse or e-auction Auction run through a buyer's website.

Reverse price analysis Considers components of price to check a quoted value.

Six Sigma An approach and set of methods used in quality management.

Social responsibility Is a set of corporate policies, procedures and resulting behaviour designed to benefit the workplace and, by extension, the individual, the organization and the community.

Spend analysis Examines and categorizes the spending done by purchasing.

Statement of work (SOW) Document describing a service that purchasing should acquire.

Stocks Which are also loosely described as inventories – are the stores of materials that an organization has acquired, but it is not ready to use.

Strategic alignment Occurs when all the strategies in an organization support each other and work coherently together to achieve the overall mission.

Strategic decisions Are long-term decisions that have major consequences throughout an organization.

Supplier development Includes any activity undertaken by a buyer to improve a supplier's performance or capabilities to meet the buyer's short and long-term supply needs.

Supplier management and development Includes an array of actions taken to measure, manage and continually improve performance of the supply base.

Supplier quality Represents the ability of a supplier to deliver products that consistently meet or exceed current and future customer expectations or requirements in critical performance areas.

Supplier relationship management (SRM) and customer relationship management (CRM) Systems to manage interactions with suppliers and customers.

Supplier scorecard Review of a supplier's performance in different areas.

Supply base All the suppliers that deliver materials to an organisation.

Supply base optimization Ensures that only the most capable, best performing suppliers are maintained in the supply base.

Supply base rationalization Removes those suppliers that are unwilling or incapable of achieving specified performance objectives.

Supply chain Consists of the series of activities and organizations that materials move through on their journey from initial suppliers through to final customers.

Supply network, supply web Alternative names for supply chains.

Tactical decisions Are medium-term decisions that have less serious consequences for parts of the organization.

Third-party logistics (3PL) Has a specialized external provider responsible for logistics within an organization.

Total cost of ownership (TCO) Is defined as the present value of all costs associated with a product that are incurred over its expected life.

Total Quality Management Has the whole organization working together to guarantee, and systematically improve, quality.

Upstream The tiers of suppliers in front of an organisation moving materials in.

Value analysis and value engineering Check that a product reaches specifications at the lowest overall cost.

Value Ratio of perceived benefits to price paid for an item.

Warranty Assurance that materials are delivered in condition agreed.

Worldwide sourcing and global sourcing Refers to any purchase where the supplier and buyer are in different countries.