



Nakhon Pathom Rajabhat University



Chapter 10

Procurement Management

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Outlines



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- Definition of procurement management
- Importance of procurement management
- Functions of procurement department
- Qualification of procurement officer
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Outlines (con't)



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Definition of procurement

Procurement is “all activities related to carefully sourcing and obtaining goods and services needed to support business operations.”





Definition of procurement management

Procurement management is “a process responsible for overseeing and administering all the methods involved in acquiring materials, goods, and services needed for efficient operations.”



Importance of procurement management



✌️ **Control spending** : Solve procurement bypass by creating a standardized process for all procurement requests to prevent invisible spending.

✌️ **Improve process efficiency** : With insight into key procurement data, easily identify opportunities to improve procurement workflows, negotiate on goods and services, and improve cost savings and profitability.

Importance of procurement management (con't)







✌️ **Develop better supplier relationships** : Unlock hidden value by turning transactional relationships with suppliers into strategic business partnerships with a centralized supplier management database.

✌️ **Strengthen supply assurance** : This was a top priority for chief procurement officers.

Functions of procurement department



-  **Managing the procurement process**
-  **Developing strong relationships with internal stakeholders**
-  **Supporting the organization's goals through effective procurement strategies**
-  **Managing relationships with suppliers to ensure coordination and effective workflow**

Qualification of procurement officer



- 👍 **Ability to work well with management and staff at all levels**
- 👍 **Ability to prioritize, multitask, and manage time efficiently**
- 👍 **Accurate attention to detail**
- 👍 **Excellent communication skills**
- 👍 **Ability to negotiate contracts**



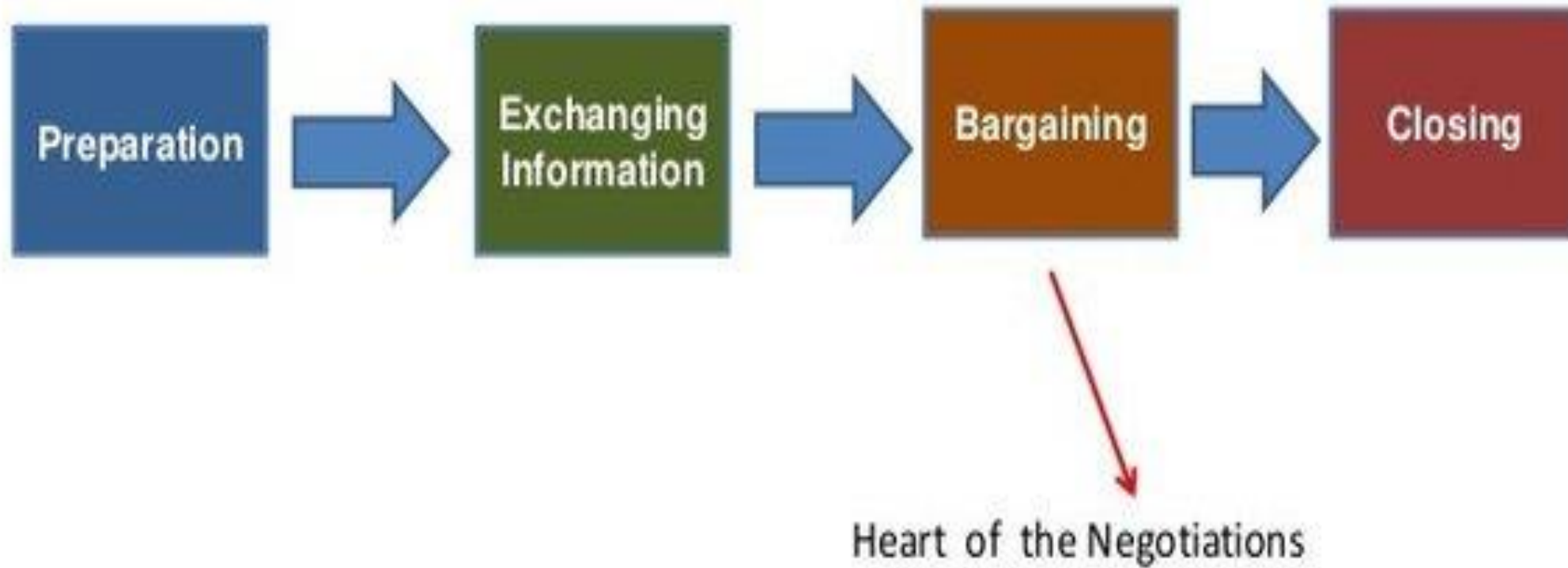
Definition of negotiation

Negotiation is “an exchange of dialogues involving two or maybe more conflicting parties who are striving to reach a consensus on their dilemma.”





Negotiation processes





Material or Goods procurement negotiation

Know your needs for material or goods

Before entering into any negotiation, you need to have a clear understanding of your needs for material or goods and what you're looking for. This will help you determine your bottom line and what you're willing to compromise on.



Prepare to negotiate on price, terms, and conditions

When it comes to negotiating with suppliers, price is usually the key issue. However, you also need to be prepared to negotiate terms and conditions. This includes items such as delivery times, payment terms, and warranty agreements.





Be willing to walk away from the negotiation

If the supplier is not willing to meet your needs or agree to reasonable terms and conditions, then be willing to walk away from the negotiation. There's no point in reaching an agreement that's not in your best interests.





Negotiation strategies

Do your homework

Before starting negotiations, always do your research. You should come to the table understanding as much as you can about the company you're dealing with – and the industry they're in.





Don't be anchored

Being the first to say a number can be a good way to take control of a business negotiation. That first figure often becomes a reference point for the rest of the conversation.

Some negotiators will open with an extreme number – either very high or very low. They're hoping the other party will be anchored by it.



Know where you can compromise

Decide what you need from the deal to make it worthwhile and be prepared to compromise on everything else. You can do this strategically.





Aim for a win-win (be nice)

Negotiating isn't about trying to dominate an opponent. This is business – you're trying to find a profitable outcome that benefits everyone.

A win-win mentality is scientifically proven to enhance business negotiations. When people are cooperative, their brains release oxytocin – a hormone that makes them trust and share.



Have a plan B

Having a plan B also means you can keep moving if negotiations hit a snag. You're never surprised. But once you have a plan B – keep it to yourself. If the other party knows too much about your alternatives, they'll know how much they can push you.





Strategic procurement

😊 Identify the needs of your organization

Procurement plan development begins with assessing existing performance and determining what's needed to meet those demands and goals. It will necessitate the collection of a wide range of data.





😊 Assess the supplier's market

Identifying potential sources of raw materials, components, finished goods, or services is one of the primary duties of the strategic procurement team at the company. If there are precise needs, the number of suitable vendors may be limited.





Gather information about the supplier

It is essential to select your business suppliers appropriately. Your corporation can suffer significant losses if your supplier does not match your selection criteria. You may also consider checking the supplier's portfolio or profile on how they have been transacting business.



😊 Formulate a procurement strategy

You can use the data gained after the steps above to establish an organization's sourcing or outsourcing strategy. Direct procurement, strategic partnership, and acquisition are all forms of sourcing.





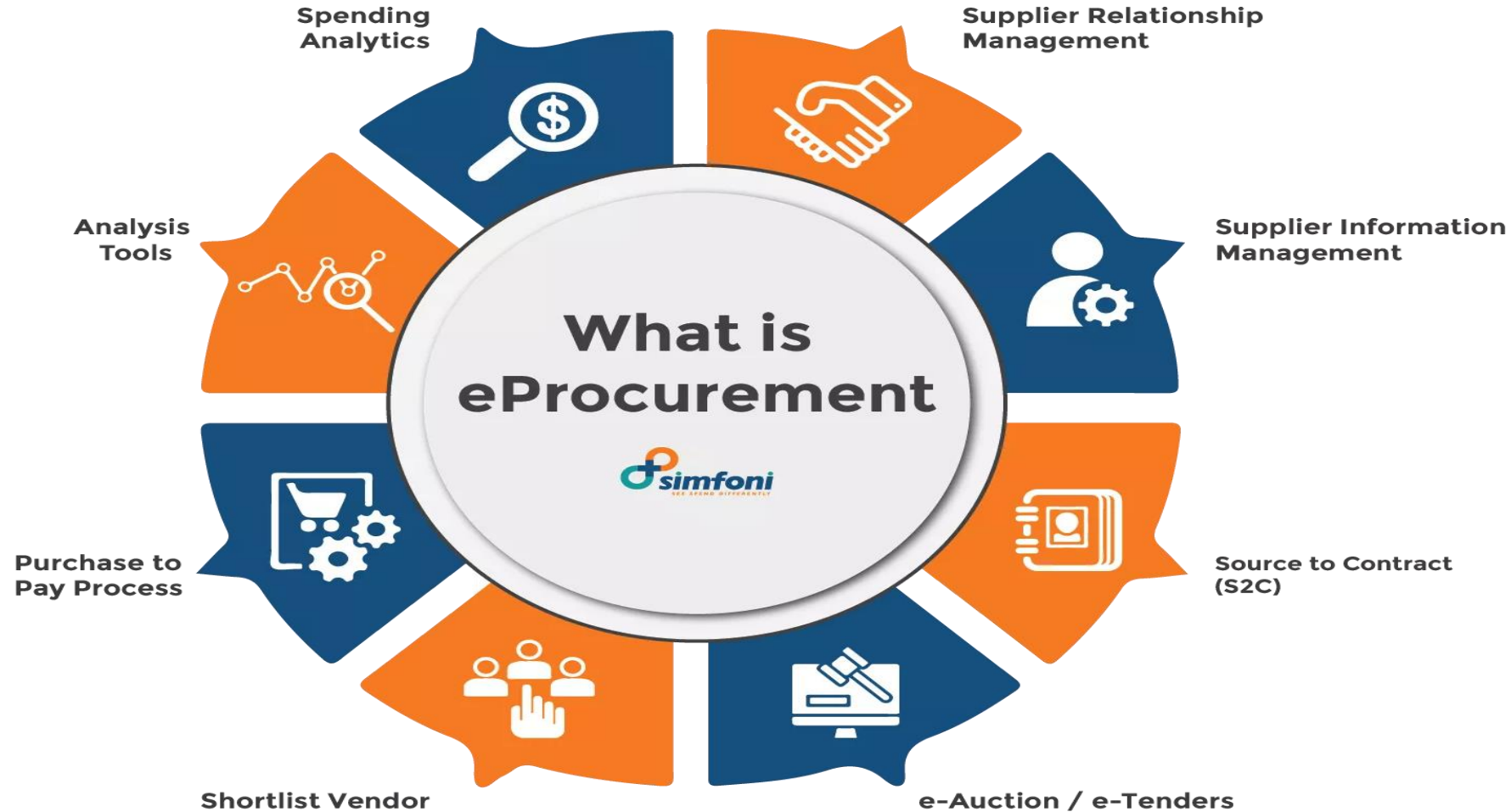
😊 Supplier negotiation and bid selection

The procurement team's strategic procurement criteria must be used to evaluate suppliers. Before making a final selection, the organization should provide all bidders with more information so that they may come up with the most realistic bid possible.





Electronic procurement technology



Exercises Chapter 10



Question 1 : What is the meaning of procurement management ?

Question 2 : What is the importance of procurement management ?

Question 3 : What are the functions of procurement department ?

Question 4 : What are the qualifications of procurement officer ?

Question 5 : What is the meaning of negotiation ?

Question 6 : What are the negotiation processes ?

Question 7 : What are the negotiation strategies ?

Question 8 : What is strategic procurement ?



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