

# Institute for Supply Management™

## Official Position Statement

### **SUPPLY MANAGEMENT KNOWLEDGE AND SKILLS CRITICAL FOR PREPARING FUTURE BUSINESS LEADERS**

#### **Official Position Statement:**

**For business degree graduates to be best prepared for becoming successful leaders in the future business environment, their undergraduate and graduate learning experience should include supply management knowledge and skills.**

As the business environment changes, the education and skills of those preparing to enter the business world must change. With an increasing importance on the role of supply management within organizations worldwide and the critical impact on the organization's bottom line, tomorrow's leaders must have a solid foundation in supply management knowledge and the related skills to meet future challenges.

With the overlap in functions and importance for supply management to be involved in every aspect of the organization, it is recommended that supply management training also be encouraged of students in other disciplines such as engineering, marketing, finance, accounting, and human resources.

#### **Definitions:**

**Supply Management** – the identification, acquisition, access, positioning, and management of resources the organization needs or potentially needs in the attainment of its strategic objectives. Other key components of supply management are disposition, distribution, inventory control, logistics, materials management, packaging, product or service development, procurement, quality management, receiving, transportation and shipping, and warehousing.

**Access** – gaining use or potential use of something of value. This is often a search and interpretation role for potential suppliers, potential supply methods and services, and technologies that could be competitively used by the organization rather than have them go to competitors. It also means accessing resources and assets available in the market that the organization either does not have or does not want to invest into in order to use them.

**Acquisition** – the act of obtaining which is much broader than buying. It includes identifying and creating strategies for seeking and using sources. It means developing appropriate relationships, acquisition methods and chain processes that range from traditional buying to that of enabling others in the organization to develop and manage

the process efficiently and effectively. It further extends to the creation and leadership role of very broad organization-to-organization interactions (inside and outside the organization).

**Best Practice** – a leading-edge activity, operation, or process that is innovative and successfully implemented and thus provides a more efficient and effective means of conducting business, helping an organization to reduce its costs and improve quality and customer service.

**Disposition** – the act of removing fixed assets and/or inventory items from an organization's premises.

**Distribution** – activities and planning required to move product or service from the end of production line or point of final development to the customer.

**Forecasting** – projection of future environmental or business conditions and their impact on the organization.

**Global sourcing** – the procurement of goods or services outside the continental limits of the United States. In many business organizations, the term “global” implies the development of a longer term, continuing relationship with international suppliers to achieve the benefits of consolidation and leverage.

**Identification** – identifying opportunities in the market place, whether they are new materials, new technologies, unknown suppliers, or even different paradigms for creating the organization's products and services.

**Inventory control** – the management of inventories, including decisions about which items to stock at each location; how much stock to keep on hand at various levels or operation; when to buy; how much to buy; controlling pilferage and damage; and managing shortages and backorders.

**Logistics** – the process of planning, implementing, and controlling the efficient, cost-effective flow and storage of raw materials, in-process inventory, finished goods, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements.

**Management of resources** – by applying a single point of view across many departments and corporate boundaries, costs, prices, systems and processes can be better managed leading to improved business performance.

**Materials management** – a managerial and organizational approach used to integrate the supply management functions in an organization. It involves the planning, acquisition, flow, and distribution of production materials from the raw material state to the finished product. Activities include procurement, inventory management, receiving, stores and warehousing, in-plant materials handling, production planning and control, traffic, and surplus and salvage.

**Packaging** – materials designed and used for production protection and/or consumer marketing appeal.

**Positioning** – positioning the organization for marketplace competitive advantage is a key strategic activity today. Like that of marketing and sales personnel who attempt to position the organization competitively in the demand marketplace, a mirror role is also needed on the supply side using macro- and micro-level marketplace intelligence, and innovation access. This is a greatly enhanced role from that of narrow supply base assessment, buying, and supplier management. Instead, this includes the leadership and management of suppliers and extends to that of positively positioning the organization favorably in the market.

**Procurement** – the function that includes specification development, value analysis, supplier market research, negotiation, buying activities, contract administration, inventory control, traffic, receiving, and stores.

**Product/Service Development** – functions and processes designed to create and bring products and services to market.

**Quality control** – the quality assurance function is responsible for measuring quality performance and comparing it with specification requirements as a basis for controlling output quality levels.

**Receiving** – the function responsible for verifying that the goods received are the goods the organization ordered.

**Traffic** – activity that controls buying, scheduling, auditing, and billing of common and contract carriers.

**Warehousing** – place used for the reception and storage of goods.