

Strategic Sourcing And Supply Chain Optimization

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Abstract:

Background: The context shaped by globalization suggests that companies can enhance the quality of products and services, mitigate risks, and bolster their competitive position in the market by employing a strategic approach to procurement.

Materials and Methods: The present study adheres to a qualitative framework grounded in a research procedure characterized as a literature review, encompassing exploration of scientific articles, theses, books, and a dissertation. All these sources of scientific inquiry have contributed to the analysis developed within the chosen thematic scope. **Results:** The overarching objective of this article is to elucidate the benefits of applying strategic sourcing for institutions. The study underscored the necessity of adopting proven sequential standards for the implementation of strategic procurement, meticulously evaluated by esteemed scholars. Furthermore, it emphasizes that spot purchases, while challenging to eradicate entirely, should not cease to be regarded as exceptional occurrences and must not become routine, as this contradicts the essence of the strategic method.

Conclusion: In conclusion, the study highlights the importance of strategic procurement in enhancing the competitive position of companies in the global market, emphasizing the need for adherence to established standards and the avoidance of routine spot purchases.

Keywords: Globalization; Competitive Position; Strategic Procurement; Quality of Products and Services.

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I. Introduction

New possibilities have been integrated into the corporate world through technological development. The sector that deals with the procurement of raw materials and services for the smooth operation of the production process has also not been left out of these improvements. One that has been gaining considerable attention is the methodology of strategic sourcing; purchasing at the right time and in adequate quantities can ensure the success of organizations, emphasizing that this method is internally concerned with the total cost of acquisition or simply TCO (Total Cost Ownership)⁷.

According to Bim (2016), it is possible to understand that the results of companies are influenced by the way they conduct their sales and procure products. Although most organizations concentrate their efforts in the sales area to achieve results, reduce costs, and increase profitability, it is in the procurement area that it becomes viable to generate significant results quickly, causing relevant impacts on profitability in the short and medium term⁴.

Thus, strategic procurement becomes essential for organizations, considering that financial health can remain stable. Another advantage attributed to strategic sourcing is the better choice of potential suppliers and the quality of deliveries attributed to them. Procurement is relevant to the company as it aligns purchasing strategies with guidelines and rules, improving the management of supplier relationships⁸.

This article addressed the methodology of strategic sourcing. When managing a company, managers face various difficulties in adhering to proposals, obtaining substantial profits, conducting advantageous negotiations, and ultimately providing quality products to end customers.

As mentioned by Bim (2016), there are at least two fundamental aspects that can directly impact the results of a company: how they conduct their sales and how they carry out purchases and supplies⁴.

The study in question is relevant to the corporate environment because, through a strategic supply chain area within a company, it is possible to maintain its capacity to be competitive, preserving its financial health, an essential factor in the smooth functioning of all integrated areas, such as HR, IT, maintenance, production, etc.

The interest in the researched topic developed supported by the experience that this researcher has regarding the application of the strategic sourcing methodology. This is an action that is in high demand by human resources professionals in selection processes and especially in advanced stages with supply managers, therefore a professional who works in the procurement area and masters this technique is prominently featured, standing ahead of other candidates in possible job market competitions.

This study refers to a qualitative approach based on a research procedure characterized as a literature review, where scientific articles, monographs, books, and a dissertation were researched. All these sources of scientific research aided the analysis developed here within the chosen theme.

The general objective of this article is to demonstrate the benefits of applying strategic sourcing for institutions. And these are the specific objectives outlined in the research: Present the view of renowned authors on the presented topic; propose the application of the method of strategic purchasing and its stages, and highlight the importance of planning in supply chain management in organizations.

The article is divided into sections, starting with the introduction, which is where the importance of analysis was explained to awaken the reader's interest in the topic, followed by the theoretical framework and its subtopics where concepts and applications were deepened. Thirdly, we have the methodology, which are the means and instruments used by the author for conducting the research, and in the fourth section, we have the final considerations where the author, based on the study, discusses what he was able to discover throughout the research.

II. Material And Methods

The present study refers to a qualitative approach based on a research procedure characterized as a literature review, where scientific articles, monographs, books, and a dissertation were researched. All these sources of scientific research aided the analysis developed here within the chosen theme.

Thus, it is undeniable to recognize the relevance of bibliographic research throughout the investigative process. Fachin (2001, p. 125) synthesizes the importance of this type of research, highlighting that "[...] it constitutes the basis for other research, and can be considered a constant in the lives of those dedicated to study"⁶.

Considering the authors who were researched, it is possible to highlight Bim (2016), Silva and Gomes (2020), Ayarza (2021), Andrade and Costa (2023), and Santos (2023), all linked to administration and materials management, who contributed to enriching this work.

All were chosen based on criteria of mastery of the subject, contribution of their works to the supply chain area, and practical experience in the procurement and supply department. It is worth highlighting here the 1st book in Brazil that addresses the proposed topic "Strategic sourcing, manual for the application of strategic purchasing methodology" by Cilene Bim (2016), which prompted the author to read other more current authors on the subject and their emergence in the post-pandemic scenario⁴.

III. Literature Review

Conceptualizing Strategic Sourcing

Through Strategic sourcing, it becomes possible to identify cost reduction opportunities through a systemic analysis of the current situation. This includes elements such as strategic planning, expense analysis, supplier base mapping, understanding of processes and competencies, scenario evaluation, and collaborative procedure practice. Globally, the compass of the procurement function gave rise to the strategic sourcing methodology as a practical guide for the application of strategic concepts. This approach has become considered a source of competitive advantage, contributing to cost and time reduction, technology development, and enhancement of the quality of acquired products and services.

Bim (2016, p. 19) mentions that several definitions for Strategic sourcing can be found, such as:

a) It is a methodology applied to supply areas in which the total cost of acquisition and use (TCO - Total Cost of Ownership) of each category of goods and services spending is deeply analyzed, through a thorough analysis of what is being acquired, understanding of the dynamics of the supplier market in question, understanding and evaluation of the specifications of these materials, service levels, and their supplier market; b) Strategic sourcing, in a summarized way, is the ability to adapt and adjust supply procedures effectively, efficiently, in such a way that it reflects a change for the organization as a whole in a constantly changing market; c) Strategic sourcing is a structured purchasing process that allows the identification of strategic opportunities through a systemic analysis of the current situation, including: Spend Analysis (Expense Diagnosis and Analysis); supplier base mapping; understanding of processes and competencies; assessment of the external and internal scenario; implementation of collaborative processes between multifunctional internal teams and suppliers⁴.

In the following subtopics, the main themes are addressed to facilitate the understanding of the subjects, seeking to elucidate the step-by-step process to be implemented. The aim is to achieve the purposes of the methodology for purchases in the strategic method. In the first instance, the topic was treated in an explanatory

manner with its stages that must be followed to emphasize the importance of following the step-by-step process with illustrations elaborated by renowned authors in previous studies.

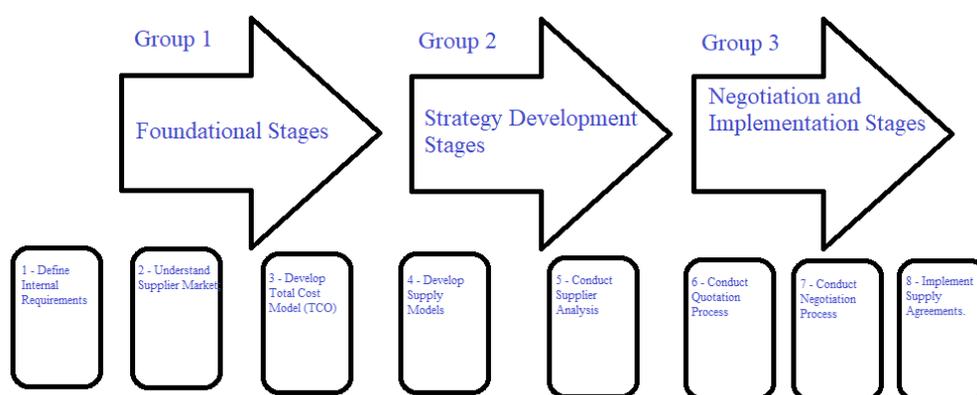
Implementation of Strategic Purchasing

Bim (2016) discusses the methodology of implementing strategic purchasing in eight basic steps, based on a PDCA cycle and internal and external analyses of the company. They are:

- (a) Define Internal Requirements: The first stage of the process, in which the details of what is being purchased are defined and the price baseline is determined⁴.
- (b) Understand Supplier Market: The stage aims to obtain knowledge and understanding of the supplier market, as well as to assess the organization's bargaining power in this supplier market⁴.
- (c) Develop Total Cost Model (TCO): In this stage, all costs involved in the acquisition of the goods or services are surveyed, including relevant, direct, and indirect costs associated with the process⁴.
- (d) Develop Supply Model: From this stage, the information obtained up to the moment is consolidated and analyzed to suggest possible supply model alternatives⁴.
- (e) Conduct Supplier Analysis (RFI): In this stage, the supplier market is researched according to the category under analysis, aiming to select suppliers who can meet the requirements identified⁴.
- (f) Conduct Quotation Processes (RFP-Q): In this stage, price and commercial conditions are formally requested and analyzed through the quotation process⁴.
- (g) Conduct Negotiation Process: Here, negotiation strategies are structured to maximize results⁴.
- (h) Implement Supply Agreements: The objective of this stage is to have a macro view of the main points to be observed for the implementation of new supply agreements⁴.

According to Bim (2016), this 8-step approach provides a deep analysis of categories in search of cost reduction opportunities and service improvement. Figure 1 shows step by step the points that will be analyzed⁴.

Figure 1 - Steps of the Strategic Sourcing Methodology



Source: Bim (2016, p. 65)⁴

As the objective of implementing strategic purchasing aims to render procurement a more strategic activity aligned with the overarching goals of an organization. Strategic purchasing endeavors to enhance business value through a broader, results-oriented approach, rather than solely focusing on acquiring products and services at competitive prices. Bastos and Servare Junior (2021, p. 02) assert:

Given the commercial challenges experienced among wholesalers in the competition for prices, partnerships, and trust, for companies seeking to stand out, it is necessary to initiate sectoral organization work and explore possibilities for applying a competitive differential to excel among direct competitors. Thus, with good strategic management, the company can establish itself and be assertive in decision-making, supplier selection, and supply acquisition³.

Organizations can improve operational efficiency, foster innovation, and enhance their competitive position in the market by employing strategic purchasing. This approach shifts the perception of procurement from a transactional activity to one that is essential for the long-term success of the company⁹.

Acquisition Management

Acquisition management – the well-known procurement function – assumes a truly strategic role in today's business landscape, particularly financial ones, increasingly shedding the prejudiced view that it was a bureaucratic and repetitive activity, a cost center rather than a profit center.

The preceding paragraph underscores the transformation that acquisition management has undergone, from previously playing a strategic role in modern business, especially in the financial sector. This shift in perspective reflects a change in the perception of the value of procurement activities, emphasizing that it is now a profit center rather than merely a cost center¹⁰.

Companies must recognize the direct impact that purchasing decisions have on overall operational success and therefore consider acquisition management as a strategy.

Tavares (2000 as cited in Cucchi; Tramontina, 2019, p. 142) asserts, in addressing the purchasing process, that "some aspects can be understood as critical success factors, which are fundamental for the client's choice and decision-making process⁵."

Overcoming the prejudiced view highlights the understanding that companies can increase operational efficiency and maximize profits by optimizing their acquisition processes. This shift in perspective is particularly crucial in the financial domain, where effective resource management can be paramount to a company's success and survival¹⁰.

The focus on the strategic nature of acquisition management suggests a more comprehensive approach, considering immediate costs and long-term effects on operations and profitability¹.

The transformation of acquisition management, once seen solely as an operational activity, has become a strategic function in contemporary business. It demystifies the notion that acquisition management is merely a cost center and showcases its essential role as a profit driver in modern enterprises².

Furthermore, the procurement of raw materials and supplies, as well as the provision of services, represents a decisive factor in company activities because, depending on how it is conducted, it can generate cost reductions and significant profit improvements. Given the volume of resources currently at stake, the act of procurement assumes an important role in purchasing negotiations in industries, transitioning from a bureaucratic and repetitive activity².

Spot Purchases

A contrary model to what has been discussed so far is spot purchases; spot acquisition is characterized by being a reactive purchase, devoid of prior planning. In this scenario, the requesting department identifies an immediate need that requires the purchase to be made at that moment.

Although it is a frequent practice in many companies, it is important to highlight that, in several situations, the cost associated with this purchasing modality tends to be higher than the value of the product or service acquired itself.

Persisting in the practice of spot purchases, even in relevant situations, can become a significant challenge. Even in the absence of a price collection map that would alleviate the burden on the Strategic Sourcing department for spot purchasing, conducting price quotes and other formalities in a one-off purchase becomes inevitable¹².

Spot acquisition should not be confused with emergency procurement, as the latter, although also irregular and one-off, requires a more comprehensive approach to prevent its cause from recurring¹².

Although emergency purchases are not unavoidable, there is a similar risk to that provided by spot purchasing, where the "emergency" nature can become routine, losing its exceptional characteristic.

Silva and Gomes (2019, p. 04) emphasize that "in the procurement process, negotiation is considered an element of extreme importance because it is crucial to have control over what is being acquired, especially when the purchase involves large quantities of products¹¹."

This implies that, without the procurement department's ability to effectively plan negotiation methods for purchases, the company becomes vulnerable to using its resources inefficiently.

IV. Conclusion

The research fully met the objectives of providing authors and readers with a practical approach to the application of the strategic sourcing method, a highly imperative topic in the procurement department, especially in the aftermath of the pandemic that caused numerous disruptions in supply chains worldwide, necessitating adaptation by professionals in this field to ensure the continuity of production processes.

The study highlighted the need to adopt proven sequential standards for the implementation of strategic procurement, meticulously evaluated by renowned scholars. It also emphasizes that spot purchases, while challenging to eradicate entirely, should not cease to be regarded as exceptional occurrences and must not become routine, as this contradicts the essence of the strategic method.

Finally, it is recommended that further studies be conducted, particularly considering the complexity of the global supply chain, taking into account logistical and cultural criteria, as well as various conflicts among countries that we currently experience, leading to trade restrictions between different economic blocs.

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