

Measuring Performance in Purchasing and Supply

Aim

To provide an understanding of the purpose of, and techniques used in, evaluating the contribution of the purchasing and supply function to the performance of the organisation.

Rationale

It is important that purchasing and supply professionals recognise that the function must 'add value' to the overall performance of the organisation, and that they understand the techniques used to measure the contribution of purchasing and supply. They also need to understand how performance measures can be used to improve supplier performance, and to be aware of measures that assess the performance of individuals.

1. Measuring the performance of the purchasing and supply function

- a) Performance measurement
- b) The concept of 'added value'
- c) Typical performance measures
- d) Measuring inventories and service levels

Learning outcomes

In the assessment the candidate may be required to:

- 1.1 Explain the management process of performance measurement
- 1.2 Describe the importance of measuring performance, how it fits into the overall management process and why it is an essential tool for continuous improvement
- 1.3 Explain the concept of 'added-value' and outline its different forms
- 1.4 Evaluate the benefit of added-value savings
- 1.5 Outline the types and categories of performance measures that are available
- 1.6 Demonstrate an understanding of the need to keep the cost of operating stockholding as low as possible, commensurate with ensuring continuity of supply

2. Measuring the performance of the supplier

- a) Key measures of supplier performance
- b) Improving performance
- c) Joint performance systems

Learning outcomes

In the assessment the candidate may be required to:

- 2.1 Distinguish between supplier performance and supplier appraisal

2.2 Explain the importance of measuring a supplier's performance

2.3 Analyse the measures that can be taken to improve supplier performance

2.4 Outline how a shared measurement approach will inform a process of continuous improvement

3. Measuring the buyer's performance

a) Appraisal techniques

b) Linking buyer performance to the objectives of purchasing and supply management

c) Analysing training needs

Learning outcomes

In the assessment the candidate may be required to:

3.1 Explain the benefits of a well-managed and structured approach to measuring an individual's performance

3.2 Outline the appraisal techniques that can be used within such an approach

3.3 Examine how individual elements of a job link to the objectives of the organisation

3.4 Describe how an individual's skills can be developed to the advantage of the organisation and that individual