**Name: José Meia**

**Student ID Number: UB73809BPR82973**

**Course Name: Bachelors in Procurement and Logistics Management**

**Assignment Title: Procurement**

**ATLANTIC INTERNATIONAL UNIVERSITY**

**May/2022**

**Table of Contents**

**PAGE**

**Introduction 2**

**1 – Purchasing 4**

**2** **– Procurement 6**

**3 –** **Purchasing and Procurement – The Difference 9**

**4 – Is Procurement Important? 12**

**5 – My Procurement Journey 14**

**6 – The Future of Procurement 17**

**Conclusion 20**

**Bibliography 22**

**Introduction**

This history is from way back in 1984 in the book, "A Purchasing Managers’ Guide" by

David N. Burt. He wrote the book with the students and professionals in mind, because he

had covered just everything there is about purchasing and all that come with it. His idea was

to assist all those in need of real knowledge, data that they would apply later in their lives.

Burt wanted businesses and academics to understand purchasing and procurement better and

succeed in their organizations.

In the earlier years, purchasing used to be called proactive purchasing by some writers, as

back then, it had a very crucial role. It contributed to the success of many companies and

organizations by ensuring the availability of materials and establishing lower prices in

material and services. Now, in the modern times, not much has changed about its

performance and the great thinkers had seen the need to upgrade it to a more sophisticated

version which is procurement.

Although in the early years, beyond 1984, purchasing had been the reason behind many

successes, there were losses as well; since the coming of procurement, businesses were

making progress and there were significant improvements that all businesses were once again

back to business getting there faster. Then came procurement which comes as another stage

of purchasing and it performs as its pillar assisting it in the improvement of many activities in

businesses and organizations.

With the modern changes to purchasing, and with the arrival of procurement, success has

been everywhere in companies and this has generated more and more tremendous ideas and

improvements and made purchasing even greater. In the twenty first century, procurement

has been the pillar to the system and had purchasing processes strengthened. The aim was to

give purchasing more value so it can efficiently respond to the activities of procurement and

its emerging teams.

Procurement, a process designed to boost purchasing and multiply profits

and do away with loses. Procurement is more focused on the growth of businesses,

to make sure that problems are solved as soon as they surface before they can affect the flow

of services. Purchase alone cannot manoeuvre the whole system; the system is vast that it

needs partnerships in order to develop and be able to face the challenges that suppliers and

consumers confront in their day-to-day activities.

Procurement is the major driver of purchasing; it is so active that for better performance it

calls on all its players for better handling and it goes even further to dig all possibilities

believed by businesses to be the cause of their failures and terminate them before they can

surface.

**Chapter 1**

**Purchasing**

Generally, I would say that Purchasing is the process of buying raw material or services in an

organization or for an organization. Scientifically, according to different experts and writers,

purchasing is described as every transaction of goods and services on behalf of the buying

entity. In a company or organization, purchasing department is the first and very crucial

because it is responsible for attending all departmental requests and executing them

efficiently and effectively under no alarming costs.

It is a department of many responsibilities including that of generating profits. The first task

that is mostly expected of it, is the interacting moment with suppliers so to create trust before

commencing business. After this, purchasing is expected to go out in search of good suppliers

with reasonable prices and who would be willing to supply any needed material. This is the

negotiation part where purchasing is expected to take a lot of things into account before any

move.

Issues like geographic location, reliability and quality and material inspection for

discrepancies, discuss manufacturing methods and manufacturing time, respect of delivery

times and delivery flexibility, the mode of transport and prices. The next stage is the use of a

document that is so popular in purchasing; they call it the Request for Proposal document

RFP or simply (request for quotation) which the purchasing team send to the suppliers. If the

suppliers are interested in dealing with that particular team, they are expected to respond to

the client.

The suppliers will have to respond positively if satisfied with the request or decline if not

interested. The purchasing department after receiving the replies, it chooses the best

proposals depending on their specifications. Typically, the best supplier in purchasing, is one

with an offer that is based on price availability, best quality and good delivering schedule.

With these requirements, the suppliers are marked worthy for all future business proposals.

This part is the last on the initial phase of collaboration between the purchasing department

and the suppliers; this phase is about contracts.

After selecting the best suppliers, the purchasing team then settles for final negotiation which

is the signing of a contract to seal the agreement. The contract is only signed after thoroughly

certifying that the supplier is willing to do business and is capable of supplying all that can be

needed by the customer and on time. The purchasing team and the suppliers are the key

source of information, costs, performance, quality and reliability of finished material. The

crucial needs in purchasing that the suppliers are entitled to comply with are;

1. Accuracy in quality and quantity: Suppliers must supply goods exactly as requested by consumers.
2. Suppliers should by all cost avoid discrepancies during the manufacturing period.
3. Suppliers should be accurate on delivery dates and place.
4. Suppliers should avoid shortcuts; they should choose and use recommended routs to avoid delays.

These recommendations are very crucial as they determine the performance and future of a

company or organization, its losses and profits. So, after making sure that the supplier is

capable of supplying quality goods and on time without incurring costs, the purchasing

department can sign the contract. When all is set and done, the acquisition of goods

commences. The purchasing department is expected to generate purchase orders to suppliers

and suppliers will work on the orders accordingly and swiftly in order to avoid delays.

In organizations and businesses, purchasing is the main factor that no one can afford to

isolate it. Purchasing has a broad responsibility in the world that it has been rated the biggest

factor in timely handling of projects in businesses and organizations around the world.

Behind every successful business or organization, there is a successful purchasing department

thriving for more and more profits. Purchasing is necessary everywhere that business

worldwide have contributed to its existence, performance and value.

Purchasing Definition

https://www.accountingtools.com

3 Feb, 2022 by Accounting Tools

**Chapter 2**

**Procurement**

Is a very vital process that emerged in the very early years of purchasing and businesses have

been relying on it ever since, that it has been serving as an optimiser to businesses in the

world of commerce today. It is a very busy process because it has a great number of services

that it handles in every company. Procurement really never moved away from purchasing

since it started in the beginning, rather, it had been the last part, of purchasing and the most

upgraded part of purchasing and a game changer.

So, what is procurement, why is it large and why are companies craving for its performance?

Procurement, according to Kissflow Procurement Cloud at kissflow.com, is the process of

identifying, shortlisting, selecting and acquiring suitable goods and services or works from a

third-party vendor through a direct purchase, for business purposes. And talking about

acquiring goods, procurement is so vast that it can handle the purchasing of goods in large

scale. Why are businesses craving for it, because managers critically depend on its

performance to acquire goods, services at the best price for the achievement of profits.

Profits are the reason businesses still stand today, profits are what keep businesses going,

without profits, no business will prosper. After an investment, profits are expected to flourish

and develop prosperity for all investors. Procurement is so essential for any corporation

because the company’s survival, functionality and growth much depend on procurement and

its activities.

So, managers have studied the performance of procurement and were rest assured that

establishing arrangements with the best suppliers, at the best price, will achieve gains

incredibly and earn profitability for their firms or organizations. Luckily, there are numerous

procurement methods that businesses can choose from, depending on the specialty of the

company or organization. Namely; Direct Procurement, Indirect Procurement, Goods

Procurement and Purchasing Services just to name a few and each one of them specially

designed and equipped with the necessary tools to serve and double profits of firms.

Direct procurement, this is the procurement of raw materials, goods and services that directly

support the production of a company’s product in the manufacturing firm. This process is not

for any firm, it is specifically for manufacturing companies that buy raw materials in large

scale for the production of their label that are well known for. Indirect Procurement is the

purchasing of goods and services; these are not raw materials and are not acquired in bulk as

they are not for production of any product.

Indirect procurement is the acquisition of goods and services for consumption within a

business; these are not acquired for any client but for internal consumption. These for

example can be professional services (consultants etc), facilities management (furniture,

cleaning services etc) and Capital goods (plant and machinery) just to mention a few. Goods

Procurement is the popular, principal purchasing that we know; and is the sourcing of

tangible goods and it also has the sourcing of services.

Examples of services acquired is the use of travel management services and utilities like

(telephones, electricity and water). The acquisition of goods procurement is mainly for

business purposes depending on the type of company’s specialty while that of services is for

the consumption of the company. In the procurement of goods or simply procurement is

where we have competitiveness, the company’s most powerful strategies and abilities to buy

goods and services at the best possible price.

The last of the procurement methods is the Purchasing Services; purchasing services is

comprised of both Direct and Indirect procurement as it requires a participation of many,

different professionals. This method is known for providing professional purchasing

knowledge for specific raw materials and contracting techniques as well. Purchasing services

educates and trains, promotes relationships between vendors and academics and maintains

centralized contracting.

On the contracting note, the professionals are project services workers and they are

comprised of consulting services and specialty services. Specifically, they are IT, marketing

agencies, law firms and other services. Systematically, these project-based workers are not

contracted on permanent services, they are acquired under a service called procurement

solution.

Purchasing

WIKIPEDIA, October 2007

en.m.wikipidia.org

**Chapter 3**

**Purchasing and Procurement – The Difference**

Although purchasing and procurement have been together since the early years and they have

been working together for companies and organizations, these two methods are significantly

different. The difference is in the objectives and in how they process their techniques to serve

companies or organizations. The best way of showing the difference in functionality between

purchasing and procurement is to describe them individually. The definition of purchasing is;

**every transaction of goods and services on behalf of the buying entity** and the following

steps are necessary to help understand better the criteria and how it differs from procurement;

1. First thing that purchasing does is introduce its existence to suppliers for the availability of goods it pretends to purchase. Then a request for quotation is sent to a number of suppliers, in order to come up with best suppliers.
2. The suppliers respond to the client with a quotation and with all details of the supplier and the prices of material. The purchasing team then evaluates the quotation from the suppliers.
3. Next, after receiving the quote with prices, the purchasing team generates

a Purchase Order and send it to the supplier to start the purchasing. The

supplier will only act on the order after the order is received, with the client’s details, description of goods and quantity.

1. On this fourth stage, the purchasing department sends the purchase order to the selected supplier; while the goods are being prepared for departure, it is a suppliers’ duty to notify the client on the progress of the order and goods whereabouts until they reach their destination, in the hands of the purchasing team.
2. Lastly, is the receival of goods and the payment for the goods to the supplier. Before the release of a payment, the goods are then checked for accuracy and damages; then the purchasing department interacts with the accounts department to release the funds If goods are in good condition. The modes of payment occur on different occasions depending on the agreement between the supplier and the purchasing team of a company. The modes of payments range from 15, 30 and 60 days according to the friendship and trust between the supplier and consumer.

This is the purchasing side and much about what purchasing covers; although purchasing and

procurement flow together and both used by many companies, these will never be one as they

have different methods of achieving their objectives. The main objective of purchasing is to

certify that it gets what is purchased like the right quantity and quality, respect the lead time

and the delivery location. It is very important that companies see the difference in these two

for the sake of their growth.

**The definition of procurement says that; it is the process of identifying, shortlisting,**

**selecting and acquiring suitable goods and services or works from a third-party vendor**

**through a direct purchase, for business purposes.**

1. Firstly, procurement identifies what a business requires; it looks to identify the exactly kind of goods and the kind of services it needs. This technique is very important, it helps procurement to properly study the future of a business, its performance and to find solutions to any rising obstacles that may affect its production.
2. Secondly, after identifying the requirements of a business, the next step is to identify the right kind of suppliers with competitive services that will assist a company to survive. How does procurement identify good reliable suppliers? By
3. thoroughly evaluating them through their good performances, good reputation, through learning how they handle risks and costs if affordable. They create a friendly relationship between them for better interactions in the future.
4. The other aspect that marks a difference between purchasing and procurement is how the negotiations of contracts are handled. A firm gets to a point of signing a contract with a supplier after getting confirmation from procurement that it is time to do so. Procurement confirms the right moment for contract signing during the time of identifying requirements, where it studies the handling of services and benefits offered by a supplier.
5. Fourth, this is where procurement selects a group of suppliers, the best suppliers it can trusts to offer good services; these are expected to have competitive performances, good terms and condition of services, good quality, accurate quantity, respective delivery time and affordable prices.
6. Here is where purchasing, procurement and finance meet; after all has been done, these is the receiving, inspecting/checking, reporting and the payment part. After the arrival of goods, the procurement checks for the agreed arrival time and quality, purchasing inspects and checks for goods accuracy and damages to the goods. If no fault found, the purchasing department gives a report to finance for the release of payments.

Procurement’s goals and objectives are aimed at strategic long-term relationships with

suppliers, creation of value and competitiveness.

Purchasing defination

AccountingTools

February 03,2022

<https://www.accountingtools.com>

Is Purchasing and Procurement the Same?

The Name Game

ZYCUS

<https://www.zycus.com>

Procurement vs Purchasing:

What’s The Difference?

Kissflow Procurement Cloud

<https://www.kissflow.com>

**Chapter 4**

**Is Procurement Important?**

From the definition of procurement, it is obvious that procurement management is the

supervisor of all processes incorporated in acquiring products, materials and services needed

by a business for its functionality. Procurement is the reason that businesses continue to be

operational as it is specialized in efficiency and making sure that all in the business are

successful in acquiring their goods. Procurement is very important because its responsibilities

are unlimited, they can go beyond expectations, and without procurement it would be

impossible for businesses to survive.

How does procurement save business, why do we say without it no business can stand? There

is a long list of what procurement can do and the first is Cost optimization; cost optimization

is just one of the benefits that make procure the best in business. Cost optimization is

achieved by creating the best circle of friends with suppliers, and by doing so, the

will assist in the optimization by giving their good services and their best price in products,

materials, goods and services, in the market.

How does procurement management manage to come across with good suppliers? The good

deeds we do in commerce make a difference and they travel far and fast, so it is through

procuring, investigating and analysing the performance of all, that good suppliers are found.

It is through interactions with other businesses in the market that benefits are gathered and

build. Another benefit that procurement has, in the good suppliers when found, is sticking to

them, only the best ones and then strengthen their friendship.

Once the friendship is fortified, it is easy for companies to get special services from their

selected service providers, benefits like discounts in services, purchases, transportation

services and individual attention. Procurement is so essential, that besides interacting with its

best suppliers, it also has the quality to work and negotiate with manufactures. In the

competitive world of today where companies have to go through various modification in

order to have a place in the market, procurement management and its processes will surely

assist companies prosper.

Here are some of the procurement processes that always add value to procurement.

1. Cost Efficiency is a very essential part of a business strategy. It is one of the abilities of doing away with costs, optimising the procurement processes and increase profits. As the following definition states, the act of saving money by changing a product or process to a more effectively performance.
2. Domestic and international market level competition, this process is the most devastating for manufacturing companies and suppliers; lack of competitiveness in a company can mean incompetency and can generate problems in the market. The lack of competitiveness can be caused by lack of boosting methods, can be the high value applied to products and services, poor quality in products can also contribute and the absence of procurement techniques due to little knowledge applied by personnel. To keep up with the fast-moving commerce, firms should switch to a more swift and flexible method.
3. Customer expectation can improve a business and also can slow and change its direction; procurement is there to handle all customer expectations and demand. Procurement management understands the need of customers and especially those on the top list which are quality, accuracy and fair costs. Procurement is specialised in customer interaction, in customer personalization by closely

listening to them, attending their personal needs and customer security. Consumers

emphasize constantly on security because they want to know and feel safe with information

they give and their products and goods; procurement is also specialized in the mitigation of

risks in order to eliminate any surfacing obstacles. Procurement management is very

important in this world, its vast processes give value to companies. Procurement has its

impact on all business, boosting their performances, improving their relationships doubling

eliminating failure.

Beroe 2022

BEROE Advantage Procurement

All You Need To Know About Procurement

<https://www.beroeinc.com>

Simfoni .2022

PROCUREMENT GUIDE

<https://www.simfoni.com>

**Chapter 5**

**My Procurement Journey**

The company I work for is an Australian company; it has other operations in many other

countries and they employ people of many different nationalities from all corners of the

world, there are no boundaries all they look for in employees is expertism. The specialty of

the company is Drilling and they drill just about anything, depending on what the client

wants. We have 7 departments namely, Stores, Purchasing / Procurement, Finance, HSE, the

lawyer’s office for all legal issues, Operations and the Maintenance; all these departments

have been working together in harmony from the start of the company.

Later, problems started though, I noticed that the head office in Australia had been changing

managers from two departments only, the operations and the purchasing/procurement

departments and replaced them with new faces. I never understood the reason why, I never

asked why, but other employees would comment during the lunch breaks and all I could hear

was the word "hotseat". In 2016 I was the stores cleck, my manager was up in Purchase/

Procurement, she was also affected and lost her job and this time they replaced her with me,

yes, I was the next coordinator of the Purchasing / Procurement and Stores.

As soon as I moved into her office, I started getting the pieces of what was happening to

those managers. The real problem was coming from the accounts department, every time that

they had auditors from Australia, something bad would come out of that office. Australia

head office had been getting losses from the Mozambican branch, they had not been able to

recover the money they invested, due to incompetency of managers from the two

departments. In 2018-2019 I did my diploma in procurement and logistics, that came in

handy because, I could now understand something about profits and losses.

So, moving on things were looking good for me, I was getting credit from all departments. I

was doing stores, purchasing and procurement and my salary then was $250.00 a per month,

my boss was getting $9500,00 a month. Then came a meeting, my first meeting since taking

the new position and some members from head office were coming for a visit and also to take

part in the meeting. In the meeting there was a question from one of the visitors from

Australia and he said, “can someone tell me why we were paying an expat so much money,

when we could have used this local, getting less but doing the same job?

I do not recall anyone answering that question, just silence, I was praised once again by

everyone. Then, there was a request from the operations, there wanted new products flown in

as soon as possible and that was my job, so I remember seeing the same products in the

shelves in the stores and I suggest we took a new stock count before a new purchase.

Everyone loved the idea; it was a life saver as we had lots of products seating in the

warehouse that no one new about.

So, after the meeting I leant two things first; it is never too late to learn and never be shy to

say you do not know; my boss would not have lost her job had she confided in me. I learnt

later that she lost her job because she did not know what was in her warehouse, she just

needed the numbers to load in the system. Second; I leant that only knowledge can set us

free, I gave a right idea at the right time and I saved the day. The directors of the company

have been complaining about losses and while all the missing profit was in the warehouse.

How did those products ended up being dead stock? Because the previous operation manager

arranged to flew in products on weekly basis ignoring inventory costs and when all the

products had reached the warehouse, complications on the client’s side erupted causing

serious damages to all subcontracted companies. So, the client had to change the system and

all the products that we purchased were discontinued, up to now, no one knows what will

happen to the products, they have been put away.

Knowledge is the solution to all problems and seeing how people had been gong out of the

company, just made me believe more in education. If I were to be a manager someday, I

would know how to avoid these mistakes, I would stick to team work, get educated as much

as I can, help others to help me and teach my workmates. Knowledge is to be shared among

us, pass knowledge to others so we can all grow and build ourselves and our societies.

**Chapter 6**

**The Future of Procurement**

Every time we mention the future of procurement, how it will operate, attending to

businesses, what we find ranking is e-procurement, digitalization of processes, digitalized

tools and digital technologies. I think the future of procurement management will be highly

advanced due to the ongoing development. The way I see it, technology will dominate the

world; knowledge will expand in business leaders and the evolution of procurement and its

processes will change performances and businesses will grow.

All procurement processes will be upgraded, functioning at a high speed and modified to

serve better. In the future I do not see procurement weakening, I see a very active and much

advanced and a fully integrated procurement. Although most practitioners doubt the

continuity of procurement management in the near future, I strongly believe that procurement

will continue breaking new grounds. There might be some changes or modifications to it in

the future and then operate differently from another angle of which will be for the benefit of

all companies.

Many companies have admitted to have experienced the benefits of procurement and they

believe that procurement data will drive strategic decision to improve their companies. This is

the future of procurement where competition is the new way forward and the practitioners

and executives are urging all enterprises to continually integrate suppliers and customers with

sufficient data so they can cope with all future changes. They strongly and repeatedly

emphasize the need to enable the use of digital platforms, extreme analytics, leading

capabilities and the best procurement model.

Digital platforms or computing platforms are believed to be the future procurement methods

of handling procurement processes and adding value. The procurement of tomorrow has been

modified, with the integration of the internet of things, its functionality has been upgraded.

The upgrading of the procurement functionality can be visible in the process of sourcing, in

the transaction procurement and in the supplier relationship management. The process of

sourcing has been altered so it can predict any failures like product shortage, manufacturing

errors in quantity and quality and distribution hardships.

Another aim of the upgrade in sourcing was to predict any incoming problems, warn then

swiftly fix before they surface; this tactic is to avoid frustrations in both suppliers and

consumers. The upgrade in procurement transaction is to make sure that all procurement

transactions are properly executed and that they should be precisely applicable to

procurement functions.

The supplier relationship management has been upgraded in order to improve the assessment

of supplier’s strengths and capabilities; and also, to improve the execution of interactions

with suppliers. The applications of these procurement functions can be recognized in today’s

journey to future procurement. The use of technologies such procurement intelligence, has

leveraged software and automation to cut costs and eliminate risks in many companies.

Companies has also used intelligent procurement to holistically manage all aspects of vender-

related spend in order to gain control over it.

Digital technologies have created digital solutions that are enabling access to drive more

complex analysis and better supplier strategies and enabling more efficient operations. Every

system now is being digitalised to make way for the future digitalized procurement. The

upgrade of procurement in preparation for future performance is so bright and promising;

procurement management will never be the same again.

The Future of Procurement in the Age

Of Digital Supply Networks - Deloitte

Deloitte

2017 Deloitte Development LLC

<https://www2.deloitte.com>

The future of procurement

KEARNEY

https://www.kearney.com

ZYCUS COGNITIVE PROCUREMENT

Machine Teaching – Apply Al for Predictive Procurement

2022 Zycus Inc.

https://www.zycus.com

**Conclusion**

From the beginning, Purchasing and Procurement have been working together and because of

that, many misunderstandings have been circulating about their togetherness and believing

that the two are equal with same functions. Some of the functions are similar but the

objectives are different. Experts say that purchasing is re-active and procurement pro-active

and that alone is one true definition of their difference. Purchasing’s purpose or objective is

so short and straight forward in relation to that of procurement.

Purchasing is bound to assist other departments to identify their needs, then attend to them

and satisfy them. Purchasing then manages the requisition process, it sources the best prices,

it prepares orders then it collects the products. The following are objectives of procurement;

support operational requirements, manage procurement process and supply, efficiently and

effectively. These objectives are not all, just to mention and show how big the difference gap

is. We can say that business means procurement; everything we might think of in business, it

has procurement in it.

Weather we live a business life or normal life, naturally we live with

procurement within us. Even if our purchasing of products is for home consumption, still we

practice procurement when we go round looking for stores that are close to our homes, that is

proximity procurement, when we look for cheap and good customer services, that is

procurement that naturally lives in us.

So, from a bazaar level to little market, to a store, company or organization, that is

procurement. Procurement is everywhere, and standing on its own right, procurement

management is a business service. If we were to get the sense of what procurement stands to

give a business, we would understand that procurement strives to offer spend management

services and supply management services so that businesses can get the most out its money

and also get the most value out of the supply market.

And it does not stop there, also, it has to meet new challenges, bring in innovation, keep

relationships going and keep goods and services flowing. Procurement will continuously

control and improve the way companies spend money, it will always manage other practices

like supplier relationship management, inventory management, product development and

many more. Basically, procurement strives to agilely meet dynamic needs and proactively

create valuable services for business. Ultimately, procurement management will provide,

intelligence and knowledge to many companies.

**Bibliography**

(All You Need To Know About Procurement, 2022)

(Burt & Pinkerton, 1996)

(Is Purchasing and Procurement the Same? The Name Game, 2019)

(Machine Teaching - Apply Al for Productive Procurement, 2022)

(Purchasing Defination, 2022)

(Purchasing, 2007)

(Procurement vs Purchasing: What's the Difference?, 2022)

(PROCUREMENT GUIDE, 2022)

(The Future of Procurement, n.d.)

(The Future of Procurement in the Age of Digital Supply Networks , 2017)