**'Identify five areas of value that effective procurement and supply chain management activities can bring into your organisation' - 25 marks**

**Increased level of compliance to ethical code**

**What** – Ethics/sustainability

**How** – visibility along the SC, all suppliers working towards same ethical code, compliance

**Example** risks of not carrying out audits on suppliers. Buying products from a supplier who conducts forced labour

**Reduced lead times for delivery**

**What** - organisations throughout the chain working together, prevent any delays, delays to production

**How** - sharing of information across the supply chain

**Example** Risk of not sharing information.

**Eliminating waste**

**What** – elimination of waste from the supply chain

**How** – lean manufacturing/Taiichi Ohno 7 wastes

**Example** – Risks of not reducing excess inventory leads to increased storage costs/obsolete, redundant stock

**Increased quality**

**What** - compliance to quality from all suppliers within the SC

**How** – Ensuring suppliers have quality management system in place/ISO 9001

**Example** – Risks of suppliers not having quality standards in place

**Improved flow of information**

**What** - increased visibility of all organisations and activities

**How** – Increased level of sharing/Communication/ Increased transparency

**Example** risks of not sharing information.

There are are many different areas of value effective supply chain management (SCM) and procurement activities can bring to my organisation International SOS.

The first area of value is an increased level of compliance to ethics and sustainability throughout the supply chain. The supply chain can be complex with many suppliers including global suppliers, and it is important that the procurement team within my organisation know how products are sourced and where they are coming from.

By working together across the supply chain this will improve visibility for International SOS at the top of the chain. Ideally the organisations within the supply chain will align their objectives to objectives of International SOS at the top of the supply chain which will include ethics and sustainability. It may be easier to algin objectives with a tier one supplier and aligning objectives with tier two and tier three suppliers further down the line can prove to problematic however, through effective SCM down through the tiers and aligning objectives will reduce risk to the International SOS at the top of the supply chain and confirm that products have been sourced ethically without any impact on the environment.

The risk of not adopting effective SCM and procurement activities which require suppliers to align their objectives and provide evidence of ethical and sustainable practice could result in the risk of obtaining goods from suppliers who exploit their workforce with poor working conditions which can be costly to International SOS the buying organisations reputation.

The second value of effective procurement and SCM activities can be reducing lead times for deliveries, by working together and sharing information organisations within the supply chain can reduce lead times which will prevent any unwanted delays which could potentially affect production. Through effective SCM and communication throughout the chain delays can be minimized and full visibility provided.

The procurement team at International SOS need to ensure suppliers are up to date on demand forecasts which can help prevent stockouts and lead time delays. If there is a fluctuation in demand visibility of this would need to be shared to ensure that suppliers have this information. The adoption of the just in time approach could also prove to be beneficial as reducing lead times is a high priority.

If there is not a SCM approach within sharing information with regards to lead times this can be an increased risk within the supply chain. An example could be a tier one supplier not sharing information received form their tier two supplier that a product has been delayed which will have a knock-on effect on the lead time that the tier one supplier has provided to the buying organisation. A delay in stock could result in a delay in operations and supplying products or services to a client which can be costly to International SOS. These costs can be a reduction in sales, loss of customers and reputational costs.

The third effective procurement and SCM activities can bring is elimination of waste throughout the supply chain, waste is defined as any activity that does not add value.

Through adoption of SCM approach which requires International SOS to take part in lean manufacturing and organisations working together throughout the supply chain organisations can work towards reducing waste. An example could be International SOS adopting the approach of Taiichi Ohno’s seven wastes and working towards the same objectives of reducing these levels of waste. For example, reducing the number of defect products that require correcting; reducing the amount of stock held which can reduce storage costs; eliminate the unnecessary movement in the working areas to reduce the time taken to complete a task; ensure steady flow of items throughout the chain to reducing waiting; reduce over production and ensure products are produced only when needed; eliminate any processes that can be without affecting production and reduce any unnecessary movement or excess of motion of any products or services from one place to another.

The risk of not adopting effective procurement and SCM activities ensuring that a lean management approach is adopted could lead to excess levels of inventory which can increase storage costs, can lead to obsolete and redundant stock throughout the chain.

A fourth value of effective procurement and SCM activities can be to ensure compliance to quality from all suppliers within the supply chain.

International SOS can work collaboratively with suppliers to ensure that the same quality management systems are in place and that organisations within the chain are compliant with quality standards. The most common set of standards for quality is the ISO 9000, which is a globally recognised standard for quality. If all organisations are compliant this can provide assurance that products supplied will meet quality requirements and goods or services will be fit for the organisations/customer’s requirements.

The risk of not conducting SCM activities that ensure compliance to quality could lead to suppliers within the chain supplying a product that may not be up to standard and the product unfit for purpose which may lead to additional costs to the buying organisations within the chain as this may cost money to rectify.

A final and fifth value effective procurement and SCM activities can be improved flow of information throughout the supply chain, companies with effective SCM can remove the bottlenecks to supply chain information flow and implement solutions which may help to fill any gaps and improve flow.

Through effective sharing of information of the activities being carried out throughout the supply chain can be identified which increased transparency. Effective communication promotes enhanced collaborative relationships among supply chain stakeholders which increases trust and rapport throughout the supply chain.

The risk of not having effective SCM activities with an improved flow of information can be a risk as Intermittent and insufficient information flow due to a fragmented supply chain can lead to poor supplier and customer relationships which can be costly to International SOS.

By having an effective procurement and SCM activities being carried out and having a SCM process in place International SOS can work towards obtaining full visibility throughout the supply chain to improve efficiency and mitigate any risks that could impact their business .