



IFPSM DEFINITIONS

7.3.2024mh

Supply chain management (SCM) is the strategic coordination of all activities involved in the **procurement, production, and logistics processes** required to deliver products or services to customers. It encompasses the planning and execution of operations across the entire supply chain, from raw material suppliers to manufacturers, distributors, retailers, and ultimately, end consumers.

The primary goal of supply chain management is to optimize efficiency, minimize costs, and enhance customer satisfaction by ensuring that the right products are available in the right quantities, at the right time, and in the right place. This involves managing relationships with suppliers and partners, forecasting demand, managing inventory levels, coordinating production schedules, and implementing logistics and distribution strategies. Effective supply chain management often involves the use of technology and data analytics to improve visibility, traceability, and decision-making throughout the supply chain network.

Procurement is the process of acquiring goods, services, or works from external sources. It involves activities such as sourcing suppliers, negotiating contracts, purchasing goods or services, and managing supplier relationships. Procurement is a critical function within supply chain management, as it directly impacts the cost, quality, and availability of materials and resources needed for production and operations.

Key components of procurement include:

Sourcing: Identifying potential suppliers and evaluating their capabilities, pricing, and reliability to determine the best options for meeting the organization's needs.

Supplier selection: Choosing suppliers based on factors such as quality, cost, delivery time, and reliability, while also considering factors such as ethical and environmental practices.

Contract negotiation: Negotiating terms and conditions with selected suppliers to establish agreements that outline pricing, delivery

schedules, quality standards, payment terms, and other important terms.

Purchasing: Executing purchase orders or agreements to acquire goods, services, or works from chosen suppliers, following the terms outlined in the contracts.

Supplier relationship management: Developing and maintaining positive relationships with suppliers to ensure effective communication, collaboration, and problem resolution, as well as to identify opportunities for improvement and innovation.

Effective procurement practices are essential for organizations to optimize costs, mitigate risks, and enhance operational efficiency within the supply chain. Procurement professionals often leverage technology, data analytics, and strategic sourcing methodologies to streamline processes, identify savings opportunities, and drive continuous improvement in procurement operations.

Logistics refers to the management of the flow of goods, information, and other resources between the point of origin and the point of consumption to meet the requirements of customers or corporations. It encompasses various activities involved in the planning, implementation, and control of the movement and storage of goods, as well as the related information and financial transactions, across the entire supply chain and back to reuse.

Key components of logistics include:

Transportation: The physical movement of goods from one location to another, whether by road, rail, air, sea, or a combination of these modes.

Warehousing and Storage: The management of facilities and processes for storing goods, including inventory management, picking, packing, and distribution.

Inventory Management: The control and optimization of inventory levels to ensure that sufficient stock is available to meet customer demand while minimizing carrying costs and stockouts.

Order Fulfilment: The process of receiving, processing, and delivering customer orders, including picking, packing, and shipping products to their destination.

Packaging: The design and preparation of containers and materials used to protect, handle, and transport goods efficiently and safely.

Information Management: The management of data and information related to logistics operations, including order processing, tracking and tracing shipments, and communication with suppliers, customers, and other stakeholders.

Effective logistics management plays a crucial role in supply chain operations by ensuring timely delivery, minimizing costs, reducing inventory levels, and enhancing customer satisfaction. It requires coordination and collaboration among various stakeholders, including suppliers, manufacturers, distributors, retailers, and logistics service providers, to optimize the flow of goods and information throughout the supply chain network.

Production refers to the process of converting raw materials, components, or resources into finished goods or products that are ready for consumption or use. It involves a series of activities, techniques, and processes aimed at transforming inputs into outputs through manufacturing or assembly operations.

Key components of production include:

Manufacturing: The process of physically transforming raw materials or components into finished goods using machinery, equipment, tools, and labor. Manufacturing processes can vary widely depending on the type of product being produced and may include processes such as machining, molding, welding, assembly, and packaging.

Assembly: The process of combining individual parts or components to create a finished product. Assembly operations often involve tasks such as fitting, fastening, and joining components together to create functional units or products.

Quality Control: The processes and procedures used to ensure that products meet specified quality standards and requirements. Quality

control activities may include inspection, testing, and analysis of raw materials, components, and finished products to identify and address defects or deviations from quality standards.

Production Planning and Scheduling: The activities involved in planning and coordinating production activities to meet demand while optimizing resources such as labor, materials, and equipment. Production planning and scheduling aim to balance production capacity with demand, minimize lead times, and maximize efficiency and productivity.

Inventory Management: The management of inventory levels to ensure that sufficient stock is available to support production operations while minimizing carrying costs and inventory obsolescence. Inventory management involves activities such as forecasting demand, ordering materials and components, and tracking inventory levels.

Continuous Improvement: The ongoing effort to identify and implement improvements in production processes, systems, and practices to enhance efficiency, quality, and performance. Continuous improvement initiatives aim to eliminate waste, reduce costs, and increase productivity through methods such as lean manufacturing, Six Sigma, and total quality management.

Overall, production plays a crucial role in the creation of goods and products that meet the needs and expectations of customers, businesses, and society. Effective production management involves optimizing processes, resources, and workflows to achieve operational excellence and competitive advantage in the marketplace.