

Lecture 7: Procurement and Logistics Management in the Organization

1. Procurement Function:

The procurement function encompasses activities that facilitate the acquisition of raw materials and production inputs, as well as their proper storage. It also involves storing finished goods until they are sold. Essentially, it ensures the availability of various inventory elements, primarily sourced externally, in quantities, costs, and qualities that align with the organization's plans and programs. This implies procuring and maintaining inventory items to implement the organization's operational or sales programs in a coordinated manner and within the required timeframe.

The procurement function includes two sub-functions: purchasing and storage.

1.1 Purchasing Function:

The concept of purchasing can be understood through its various tasks, starting with sending orders to suppliers, following up on these orders until the required materials are received, and inspecting them before delivering to the storage department to maintain the supply cycle. Before payment or dispatch to suppliers, additional preparatory tasks are often undertaken. Collectively, the main tasks of the purchasing function include:

- Selecting the appropriate supplier(s).
- Determining the suitable procurement or sourcing method.
- Issuing and following up on purchase orders.
- Receiving and inspecting incoming materials.

2.1 Storage Function:

Storage is defined as the retention of materials until they are needed. It encompasses a set of procedures aimed at coordinating the supply of goods with the withdrawal requirements for operations, in a cost-effective manner and at the right time. This function must be executed efficiently, as it directly affects the organization's profitability.

A. Storage Tasks:

Upon receipt of materials and goods by the purchasing department and their transfer to the warehouses, the storage function begins. Its tasks include monitoring the entry of materials into the warehouse to ensure that the physical items match the invoices, organizing and maintaining the inventory, and continuously tracking it in coordination with the purchasing, production, and even sales departments. Key tasks include:

- Organizing and preserving materials and goods.
- Assigning identification codes.
- Monitoring inventory movements.
- Issuing notifications to the purchasing department to trigger new procurement.
- Conducting periodic physical inventory counts.

B. Reasons for Storage:

These were addressed during the lecture.

2. Logistics:

2.1 Definition of Logistics:

Logistics ensures the smooth flow of products and the information required for procurement, production, and distribution. It is therefore the process of planning, executing, and monitoring the movement and storage of raw materials, work-in-progress inventory, finished goods, and related information from the point of origin to the point of consumption, with the objective of meeting customer requirements efficiently and cost-effectively.

2.2 Types of Logistics:

Logistics comprises activities related to managing the physical flow of goods and the associated information along the supply chain, from procurement to marketing. These include:

- **Inbound Logistics:** This refers to the movement of materials from suppliers to the organization's production centers.
- **Outbound Logistics:** This refers to the movement of finished products from the production centers to customers.