



BEST PRACTICES

A Collection of Best Practices for:

Supply Chain

Includes Detailed Best Practices for:

- Procurement
- Materials Management
- Master Data Management
- Manufacturing & Production
- Order Management
- Distribution



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Procurement

Supply Chain

Procurement

Materials Management

Master Data Management

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Distribution

— — — *The Procurement function purchases products (raw materials, components, large machinery, software, etc.) from vendors to satisfy internal (inside the company) and external (customers) demand. After a need is identified, the Procurement Group is responsible for identifying and screening potential suppliers, selecting a supplier, negotiating terms of payment and arranging any logistical concerns (shipping, delivery, installation, training, etc.). Procurement employees are also tasked with monitoring the performance of company suppliers as it relates to the terms of the contract that governs the relationship with the vendor.*

Procurement

Supply Chain Best Practices

Best Practice 1-A

Prepare Weekly Inventory “Hot Lists” to Improve Materials Availability

Prepare a weekly inventory “hot list” for the Procurement Department that lists which items are currently over- OR under-stocked to improve inventory management practices. Include all relevant data (i.e., metadata) about these items, such as retail price, cost, lead times, demand forecasts, etc. to ensure high informational accuracy.

Typical Practice (the Status Quo): Determine items that are over-/under-stocked by comparing data from weekly or monthly inventory reports and demand forecasts. Producing these reports in longer time frames would reduce the number of unneeded reports and free up employees to performing other, higher-valued tasks.

Benefits of this Best Practice: Preparing a weekly inventory “hot list” for the Procurement Department improves storage efficiency by opening warehouse capacity for more high-value, demand-heavy materials, and greatly improves materials availability by ensuring that high-demand items are appropriately stocked. These lists should not only describe which items are currently over- OR under-stocked, but also all relevant data about the listed items (retail price, cost, lead times, demand forecasts, etc.) so as to ensure high informational accuracy. Preparing weekly “hot lists,” furthermore, improves employee understanding of material availability which allows the Procurement Department to purchase needed materials before being asked.

 **Related KPIs:** Inventory Turnover, Inventory Accuracy (Location), Inventory Shrinkage

Procurement

Supply Chain Best Practices

Best Practice 1-B

Maintain an Updated Database of Prequalified Vendors to Reduce Vendor Selection Process Cycle Times

Maintain a database of prequalified vendors to consider during the early stages of the vendor selection process when purchasing products. Add all previously certified vendors into this list and keep it up-to-date. This not only reduces the overall amount of time the Procurement Department spends purchasing products, but it also reduces instances of rework as well as the likelihood that redundant vendors will be onboarded.

Typical Practice (the Status Quo): Have purchasing agents qualify vendors for each new purchase that is made, running them through the vendor setup process each time. This ensures that due diligence is performed and each purchase is validated before the transaction takes place. A small amount of rework should be viewed as - the “cost of doing business.”

Benefits of this Best Practice: Maintaining an updated database of prequalified vendors not only allows buyers to hand pick vendors who have already been qualified and have proven to be reliable, but it also reduces instances of rework (e.g., running an already prequalified vendor through the vendor setup process) as well as the likelihood that redundant vendors will be onboarded. In effect, such an updated list reduces the overall amount of time the Procurement Department spends purchasing products, which allows the needed materials to be delivered much sooner and prevents the number of onboarded vendors from becoming unmanageable.

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