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FROM INSIDE-OUT TO OUTSIDE-IN. CUSTOMER CENTRICITY THROUGH THE REENGINEERING OF THE PROCUREMENT PROCESS

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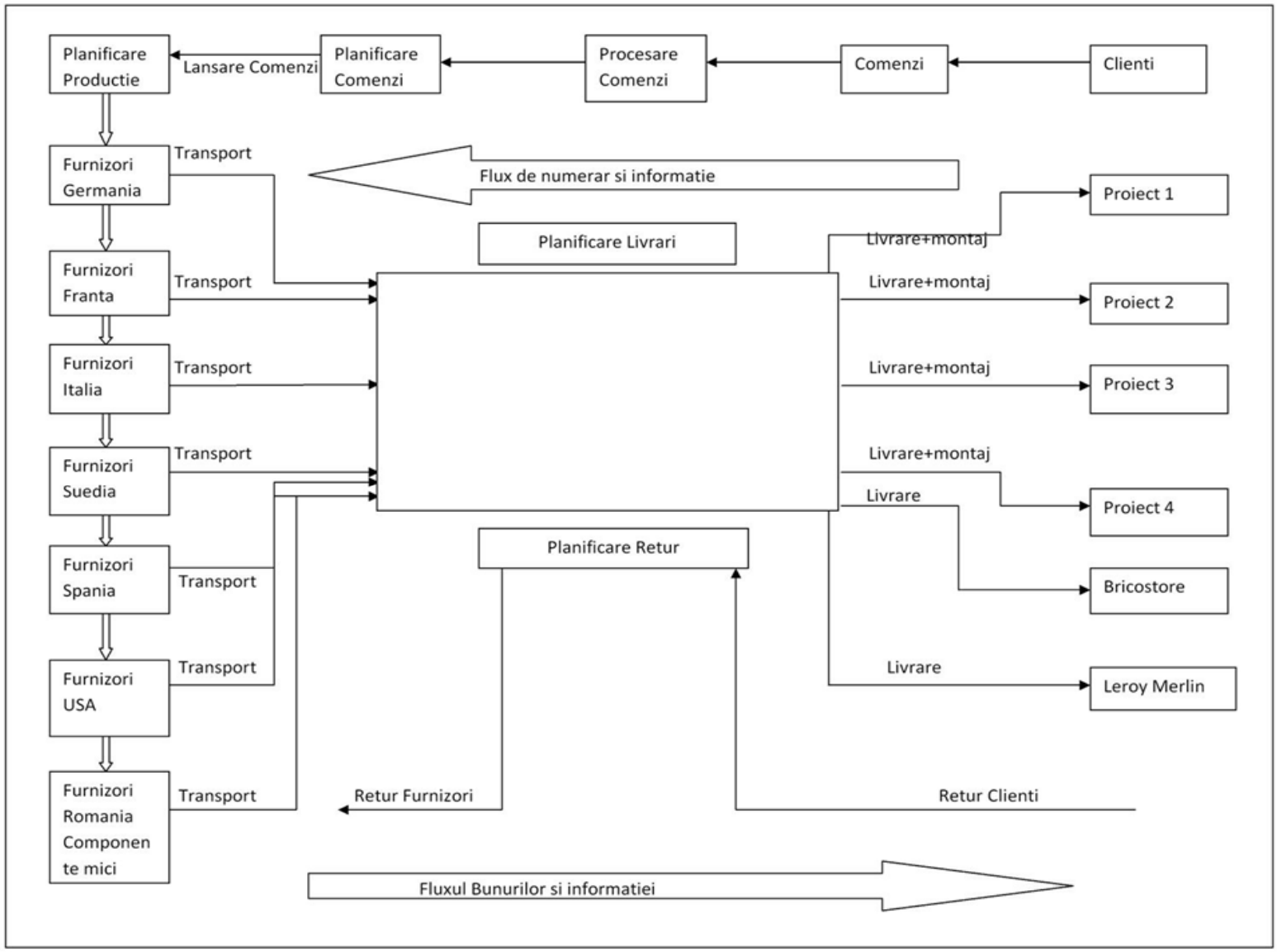
“Faster, better, cheaper”,

these are the goals for all construction industry organizations and managers. At their disposal, they have a set of strategies in the areas of business process re-engineering, information technology, and purchasing strategy.



- *Supply chain risk source* : attempting to circumscribe supply chain disruption(i.e. the demarcation of supply chain risks from other business risk), many scholars have proposed classifications in the from of typologies and/or taxonomies of risks .

- *Supply chain risk* : it is defined as the negative deviation from the expected value of a certain performance measure , resulting in negative consequences for the focal firm. Risk is equated with the detriment of a supply chain disruption. As a, consequence do not consider either ‘happy disasters’’ nor the situation where managers intentionally ’’gamble’’ on risk.

Definition used in risk management

Business Vulnerability , defined as an exposure to serious disturbances , arising from risks within the supply chain as well as risks external to the supply chain (Christopher , 2003).Vulnerability is a result of any weakness within a complex system that can seriously jeopardize its activities (Ayyub , 2003).

Enterprise Risk Management (ERM) as a set of coordinated actions about protecting and enhancing share value to satisfy the primary business objective of shareholder wealth maximization (Champman , 2006).

Resilient enterprise meaning the ability of the company to recover quickly from a disruption (Sheffi ,2005)

Supply chain risk management is the systematic identification, assessment , and quantification of potential supply chain disruptions with the objective to control exposure to risk or reduce its negative impact on supply chain performance. Potential disruptions can either occur within the supply chain (e.g. insufficient quality , unreliable suppliers , machine break-down , uncertain demand..etc) or outside the supply chain(e.g. flooding , terrorism, labor strikes, natural disasters, large variability in demand ,etc.).Management of risk includes the development of continuous strategies designed to control , mitigate, reduce, or eliminate risk.

Business Process Changes

The rationale for the re-engineering efforts was significantly reduce cost and schedule while ensuring quality. It is possible to divide this underlying goal into a set of concrete business objectives and actions as Table 1 shows. The achievement of each business objective requires a change in business process and will result in tangible and measurable benefits that will reduce overall cost and schedule.

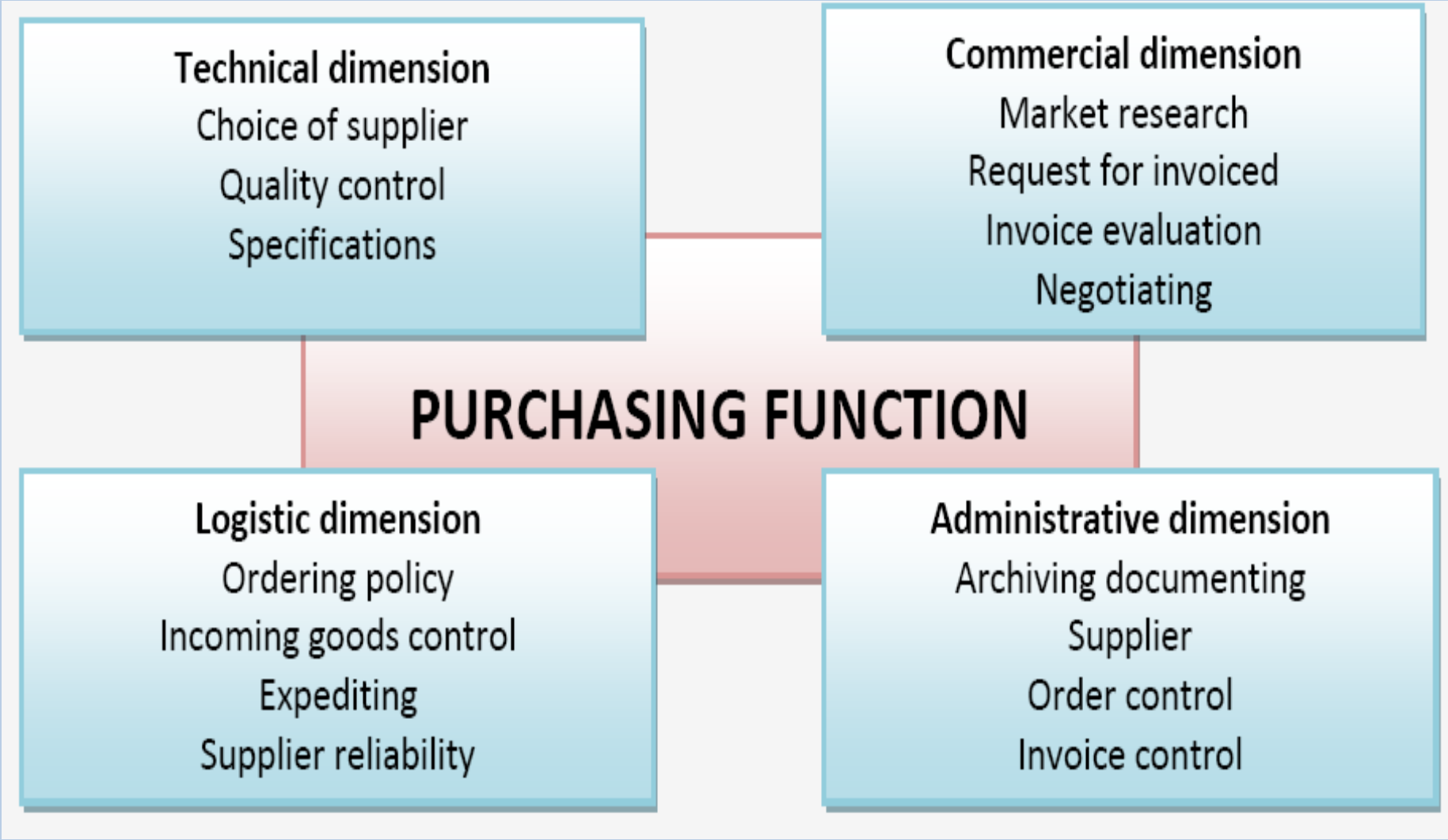
Business Process Engineering and the impact on transaction costs

(Source: Martin Ekstrom & Hans Bjornsson – CIFE Technical Report #160)

Business Objective	Change in Business Process	Primary Benefits in terms of reduced production costs	Potential Communication Costs	Opportunism Risk
More efficient Connection Design	Use intelligent Model for Automatic Connection Design	•Lower error rate in connection •Less labor required in detailing		OR1: Limited number of detailers that are wiling and able to make required investments
Lower detailing cost	Outsource to Developing Countries	•Lower labor cost for detailing	CC1: Increased communication distance and cost	OR2: Cultural differences lead to potential contractual disputes

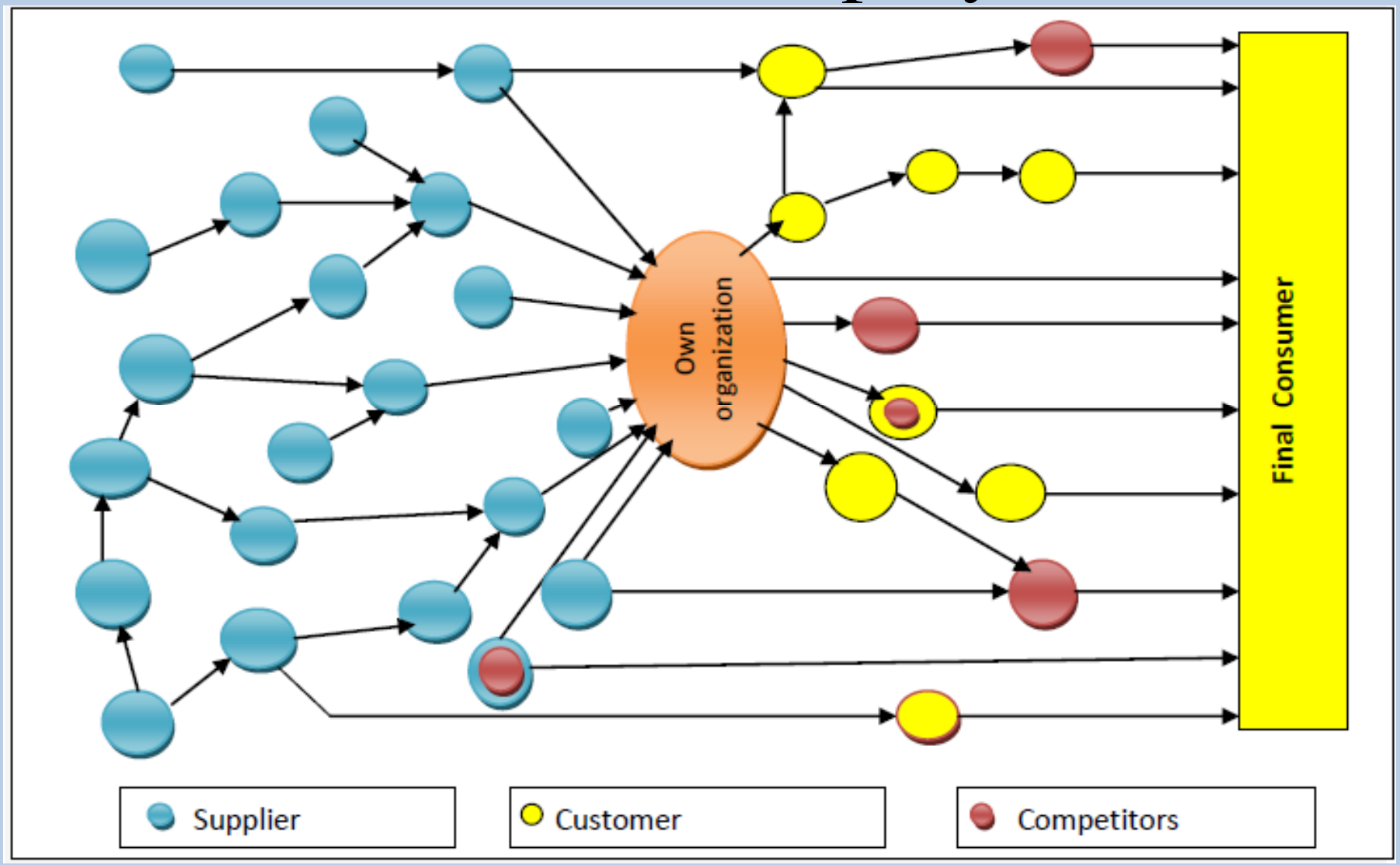
Compress schedule for design and detailing activities	Make design and detailing parallel	•Savings in overall project completion time	CC2: More coordination between detailing and design required	OR3: Increase in time specificity between detailing and design provides potential hold-up situation
Increase competition among fabricators	Procure fabricator competitively for each individual project	•Obtain best price for each project •Independence	CC3: Increase bidding and set-up costs, as well as interpretation uncertainty	OR4Increased risk of short-sighted opportunistic behavior from fabricators
Improve coordination of detailing and erection	Shift responsibility for detailing to same organization that is responsible for erection	•Less errors identified during erection •Detailing connections and members to improve erection	CC4: Fabricator's preferences not tachen into account in detailing	

Dimension of purchasing



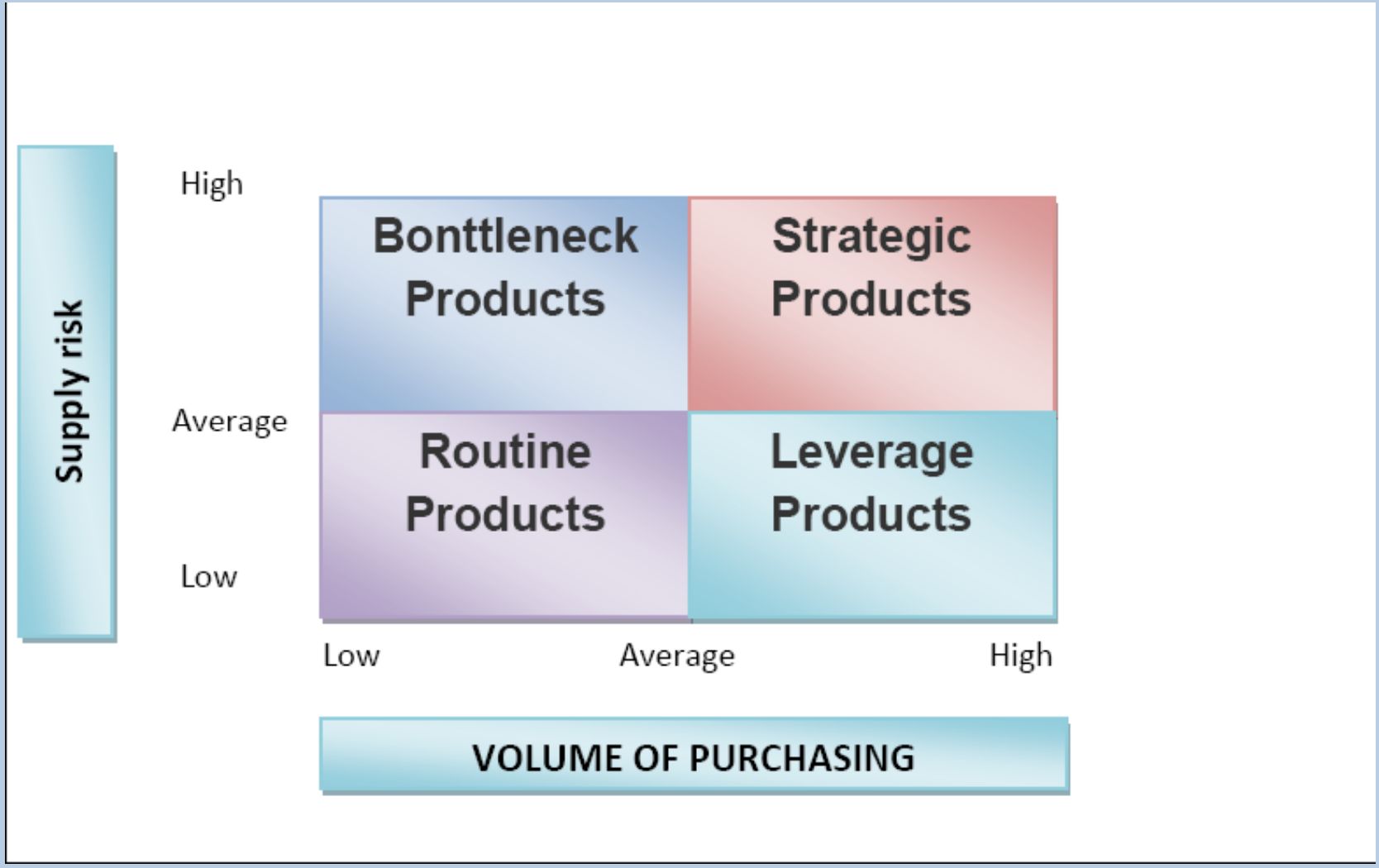
Source: Weele, A.J. – *Inkoop in strategisch perspectief* – 2001 Kluwer, Deventer

Network company



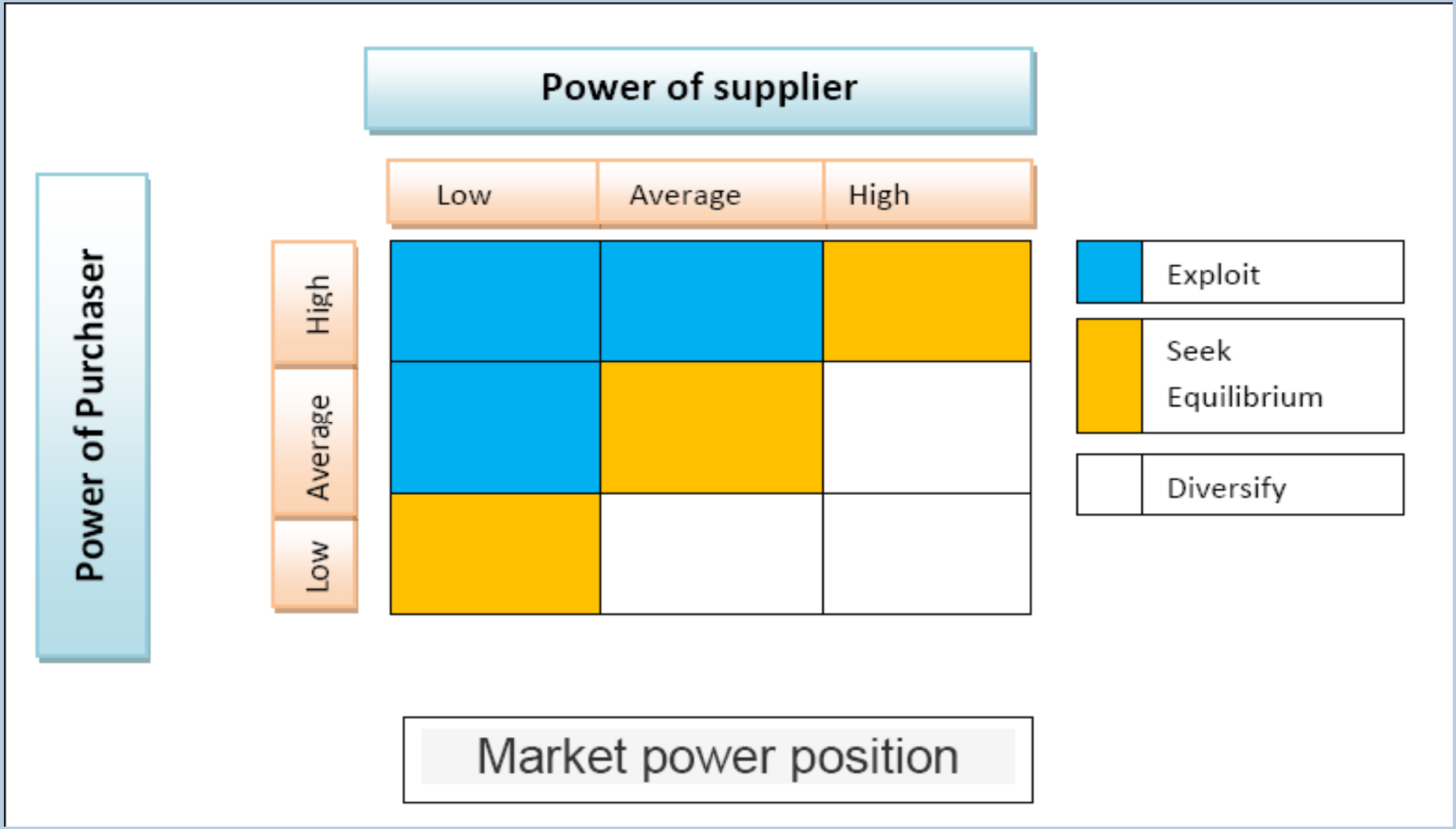
Source: Adapted by Brigitte Faber, Nico Lambers, Reinder Pieters

Kraljic's portfolio



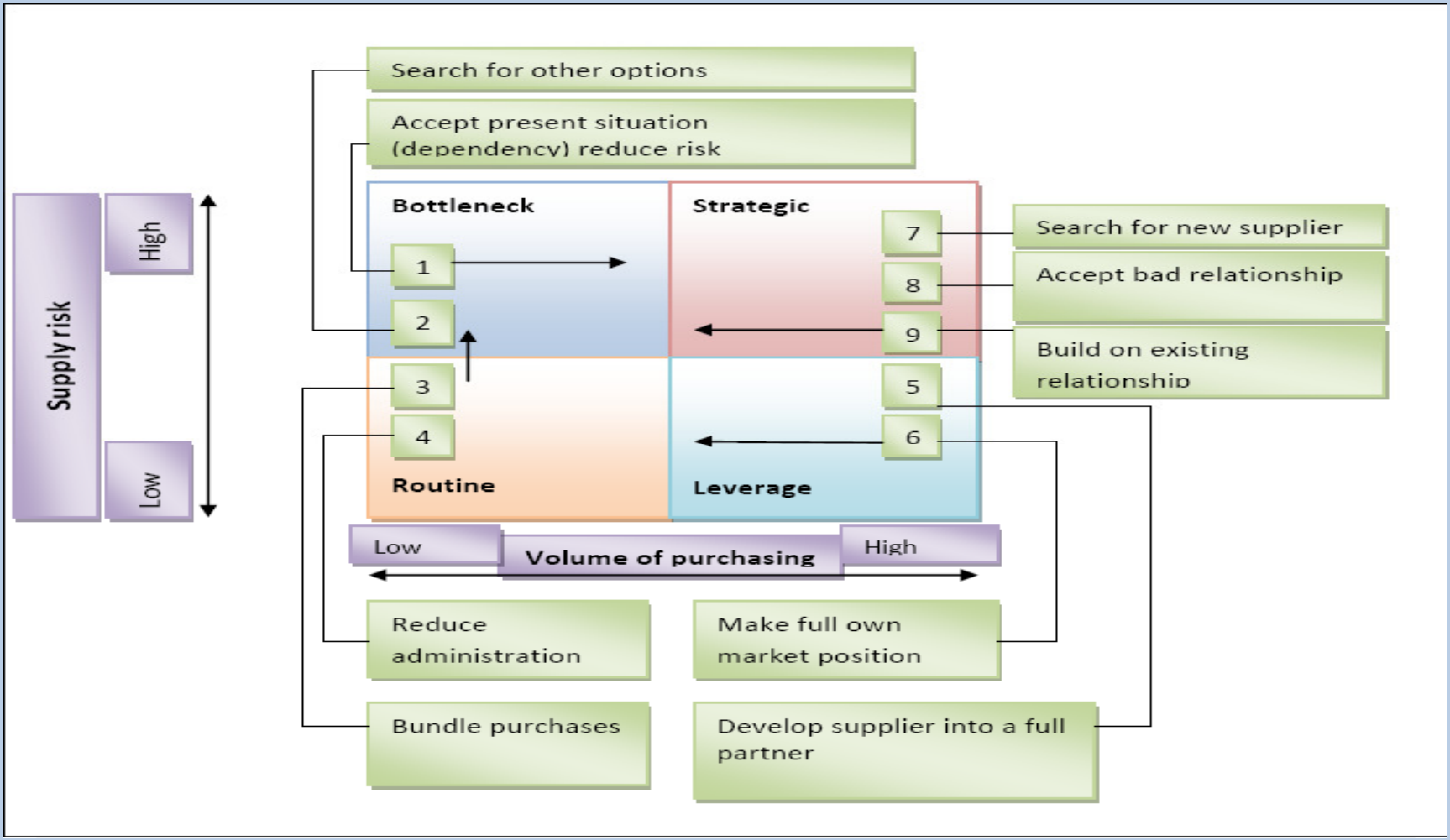
Source: Kraljic, P.- *Purchasing must become supply management*

Market power position



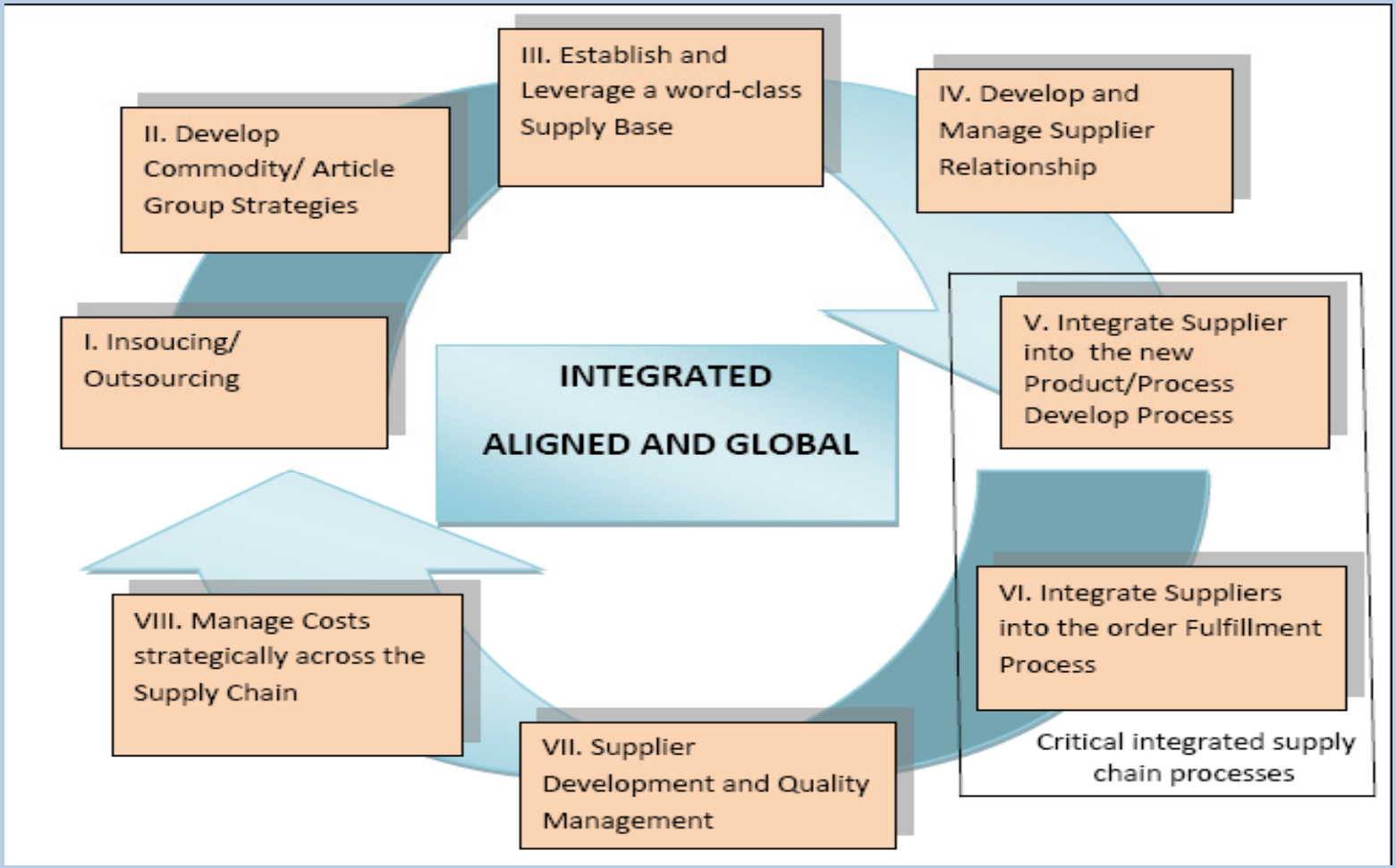
Source: Adapted by Kraljic, P.- *Purchasing must become supply management*

Gelderman's dynamic approach

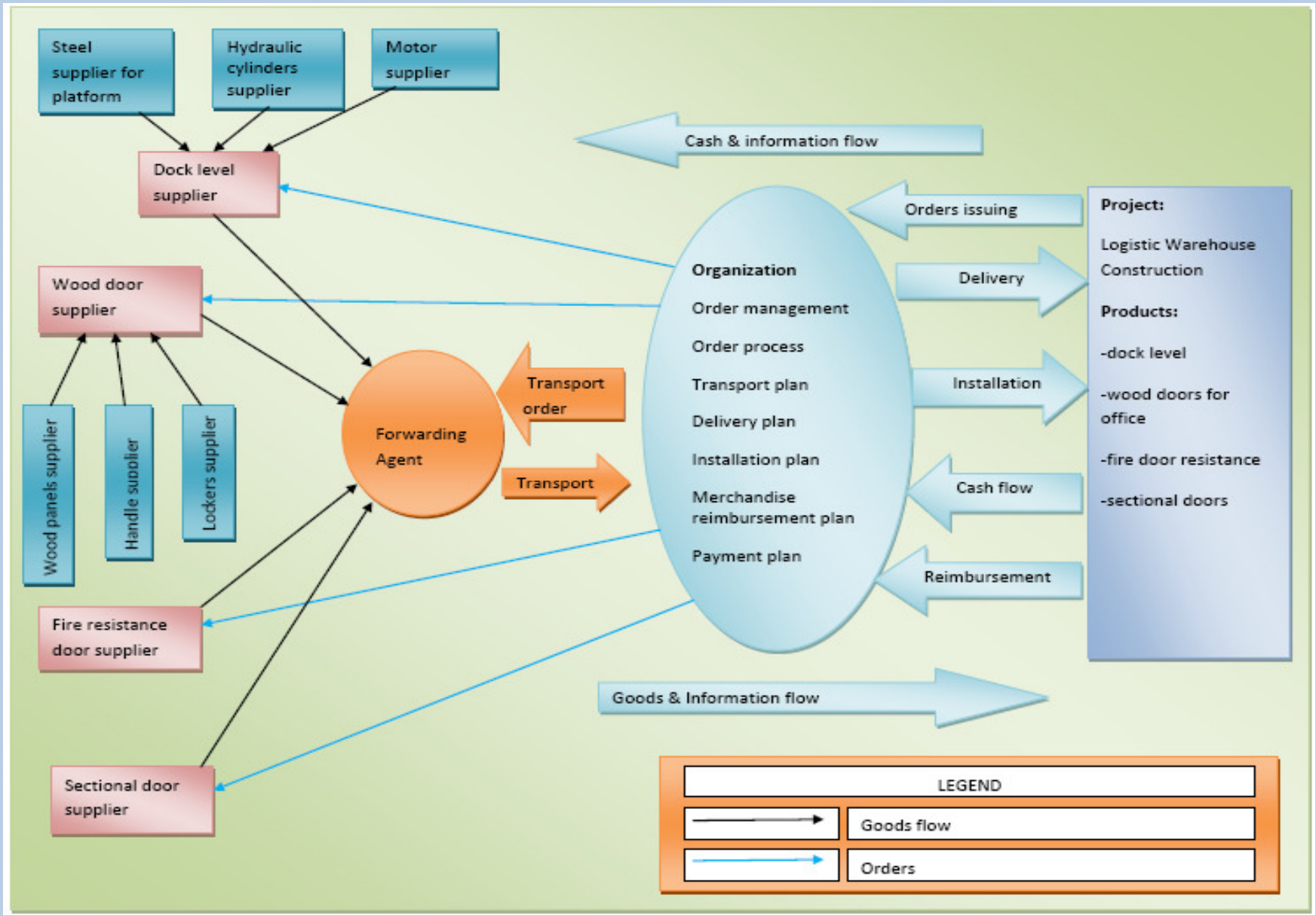


Source: Adapted by Gelderman, C.J. – De inkoopportofolio - 2003

MSU Model of Moczca



Source: Monczka, R. , R. Trend and R. Handfield – *Purchasing and SCM*



THANK YOU !