

Implementing Strategic Sourcing - Nicholas Keys

Strategic sourcing is currently one of the most powerful levers for profit improvement and is hence receiving increased attention from corporations. This research focuses on the key techniques used in strategic sourcing departments and issues faced in making a strategic sourcing procurement decision in South Africa.

Large South African industrial and resource companies that are acknowledged leaders in strategic sourcing in South Africa were interviewed. The data gathering consisted of structured interviews with the overall leader, or their deputies, of strategic sourcing in each company.

The research objective was broken down into a number of different propositions, supporting the techniques used in sourcing departments and issues faced when making a strategic sourcing procurement decision.

The results showed relatively strong support for the identified techniques (from a review of literature) that strategic sourcing departments use, including cross-functional sourcing teams, sourcing information systems, alignment with corporate strategy and the use of a formal sourcing process. There was little support for value chain mapping and formal supplier relationship management.

There was poor support for the issues identified in the literature as affecting a strategic sourcing procurement decision. Core competencies, the external environment, product and process and technology and demand variability did not play a significant role in a strategic sourcing procurement decision. The only strongly supported area was around cost management.

The South African companies who have been conducting strategic sourcing efforts for the longest are likely to be using the most techniques and most other companies plan to use more. However, the procurement department's involvement in strategic outsourcing decisions remains minimal.