

Procurement Performance and Supplier Management Measurement Issues: A Case of Malaysian Private Company

Nawi, M.N.M.^{#1}, Songappenm, M.^{#2}, Nadarajan, S.^{#3} Ibrahim, S. H.^{#4}, Mustapha, R.^{#5}

^{#1,3}*School of Technology Management and Logistics, Universiti Utara Malaysia, Sintok, Kedah, Malaysia.*

²*Koyama Medical Sdn. Bhd., Penang, Malaysia*

⁴*Faculty of Civil Engineering, Universiti Malaysia Sarawak, Sarawak, Malaysia*

⁵*Faculty of Technical and Vocational Education, Sultan Idris Education University, 35900 Tanjong Malim, Malaysia*

¹nasrun@uum.edu.my

²pzp518@gmail.com

³ santhirasegaran@uum.edu.my

⁴ihalipah@unimas.my

⁵ drramlee@yahoo.com

Abstract— The rising material and operational cost for manufacturers in medical device industry is of concern to many organizations. As such, it is imperative to measure the procurement and supplier's performance for competitive advantage and provide a framework to stakeholders for continuous improvement. This paper develops a procurement and supplier performance measurement system at a firm by conducting a review of literature in procurement performance measurement and supplier performance measurement. Through the key components of supply chain together with the resources, procedures and output, a model was developed. Additionally, a system was established with a set of generic measures and six perspectives. The case study conducted at the firm applies to the model developed to describe the procurement department within the supply chain activities. Results indicate that supply chain department has already made a good progress in measuring procurement process through the implementation of supplier development program. Few areas that needed to be measured include cycle time of delivery, order processing time, effectiveness, efficiency and reliability. While a lot of hard work was involved, the advantages of establishing a measurement system outweigh the costs and efforts involved in its implementation. Results of key performance index measurements provide stakeholders with critical information on efficiency and effectiveness of the procurement department's work.

Keywords— Procurement, Performance, Manufacturing, Supply Chain, Measurement

1. Introduction

Globalization has gained much attention in today's

business environment, with businesses going multinational in operations. However, this trend is characterised by several challenges whereby cost is key and customers are expecting lower cost products without compromising on quality [1]. Similar scenario is experienced within the medical device industry, and it was further compounded by regulatory requirements for medical products. With increasing ageing population around the world and stringent government regulatory frameworks, medical products companies are expected to cut medical expenditure cost [2]. Hence, it is important that continuous improvement activities such as Kaizen, lean operation, effective and efficient supply chain are embarked upon by manufacturers to mitigate the rising cost of operation and continuously improve their product cost [3].

Vijay & Shetkar, [4] argues that majority of product cost is locked in the materials. This explains why efficient supply chain management is important for organizations to attain competitive edge in their business environment. So, operation and supply chain excellence plays a vital role in reducing the product cost. In the same manner, the application of supply-chain best practices from other industries could be used to significantly improve the inefficiencies in the health care supply chain [5]. However, it is important to note that prior to the introduction of any change efforts (like supply-chain best practices) in an organization, there is a need to assess the current performance in supply chain system and develop a suitable performance measurement system specific for the organization.