The Purchasing Machine, How the Top Ten Companies Use Best Practices to Manage Their Supply Chains


In this book, the authors highlight the need for an entrepreneurial approach in the procurement/supply chain management function. Procurement professionals need to recognize they play a key role in achieving senior management’s critical objectives. This work identifies the skills and best practices needed for breakthrough performance as industries compete supply chain against supply chain.

“Value stream mapping” is a tool for understanding supply chain processes and identifying waste. Examples can be found in the book Learning to See by Mike Rother and John Shook. The concept of process mapping is not new; however, mapping the value stream to identify the value-added (VA) and non-value-added (NVA) in the whole process can be an eye-opening experience. Once the process is clearly visible, it becomes much easier to focus on improving the overall process rather than optimizing only a small part of it. Value stream mapping is hands-on, easy to learn, and it allows an understandable baseline called “present state” to be quickly established. Material or information flows can be mapped; often it is the information flows that provide the greatest opportunities for improving process speed.

An IBM example describes how new approaches like buyer less procurement have eliminated queue times and NVA activities, freeing up the time of professionals to perform more strategic work. By establishing a “pre-approved” catalog, requisitions are processed without stopping at a buyer’s desk for review or approval. Using EDI (electronic data interchange) or the Web, orders are routed directly to the supplier. Along the way the orders are updated electronically, providing feedback on delivery dates, shipment, receipt, payment, etc. Use of this methodology can significantly reduce the wait or queue time involved in the procurement process.

The importance of emerging technologies like genetic algorithms in analysis and decision-making is described with actual cases given and results through their use. The genetic algorithm tool used at John Deere allows review of up to 600,000 schedule iterations for a monthly build plan. It has enabled John Deere to establish a production schedule satisfying both customer and manufacturing constraints. As manufacturing moves closer to mass customization and producing customer orders on demand, the need for tools to determine “available to promise” and “capable to promise” increases. The inverse relationship between speed and price will persist, highlighting for manufacturers the value of reserving capacity for premium-priced quick delivery production and the fact that not all customers are alike.

The authors’ years of industry experience surface in their discussion of the extended enterprise and the cultural issues involved in effective supplier development programs. This book would benefit any procurement professional wishing to build his/her leadership and strategic thinking abilities by leveraging on the combined knowledge and insight of the authors, who have lived and breathed many of the experiences described in the book.

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