SUPPLY MANAGEMENT POLICY IN KOREACOMPARISON/REVIEW BETWEEN PUBLIC & PRIVATE Org.)

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ABSTRACT. The purpose of this study is to bring up concerns of supply management professionals, who are interested in supply management policy in all public and private organizations, even though there are advantages and disadvantages in supply management policy. Policy in supply management is very important as general guideline for direction of supply management standpoints. Under this circumstance, first of all, this study will survey, if all organizations have their supply management policy or have a plan to implement it, how supply management professionals in Korea are understanding supply management policy and when they will be supposed to implement policy. If supply management organizations have strategic plan for supply management, they should implement policy, procedures, instruction and forms and documents in order. Based upon the result of this study, I present why supply management policy will be necessary and be implemented regardless of public and private organization.

INTRODUCTION

According to the nature of management control defined by Institute for Supply Management(ISM), organizational strategies, objectives, policies and procedures are management tools to improve understanding, communication, and performance. These may be developed for the entire organization, for individual business units, or for various functions, with two(2) faces of the advantages and disadvantage as follows:

The advantages of policies include:

1. They provide employees with an understanding of organization values and philosophies.

2. They provide a framework to guide behavior and decision-making.

3. They enhance before-the-fact control that establishes a code of conduct throughout the organization.

In the meantime, the disadvantage of policies include:

1. The difficulty of communicating them throughout the organization.

2. The difficulty of actually enforcing the policies.

3. The necessity to justify the cost to enforce certain policies.

4. The problem of measuring whether policies stifle innovation and initiative.

5. The difficulty of ensuring that policies are fair, consistent and not contradictory.

Even though there are disadvantages of policies, the advantages have much more benefits than disadvantages from supply management organizational standpoints. Accordingly, one of the major focus of this survey is to find out acknowledgement and understanding to supply management policy of major organizations in Korea.

Generally, the most of organizations in Korea have their own supply management procedures regardless of supply management hierarchy. However recently they are vey much concerned about development of supply management policy at the upper level of procedures. Accordingly, ISM Korea surveyed the basic understanding and acknowledgment to supply management policy of supply management professionals in Korea based upon mainly Certified Professional in Supply Management Study Guide(and Professional Series) and Delphi Purchasing/ Supply Management Policy. Of course all questions on survey are not enough. However, this survey will be the first step to enable supply Management professionals (SMP) to improve or implement their purchasing/ supply management policy in Korea.

METHODS

The methods for this survey is to get automatically answers from supply management professionals via web-based survey. The survey had been equally sent out to supply management managers of 219 major public and private organizations more than 100 employees and the responsiveness from most of private organizations had been made at the level of 18.72%(41 managers). However, these numbers are not representing opinions of all organizations but are believed that they could be brought the direction up for discussion and development as the initial stage.

RESULTS

The 1st question is to survey how supply management professionals are thinking of the hierarchy of supply management policy defined by ISM. Organizations more than 80% as TABLE I are showing the recognition of necessity of it.

TABLE 1. Necessity for Hierarchy of SM Process

No.	Hierarchy	Resp.(%)
1	Policy/Procedures/Instructions & Forms	55.88
2	Policy/Procedures/Forms	29.41
3	Policy/Procedures	14.71

The next question is to survey when they will have the plan to develop supply management processes. Organizations more than 57% as TABLE II have shown to develop it within 1-3 years.

TABLE II. Plan to Develop Supply Management Process

No.	Periods	Resp.(%)
1	Within 1-2 years	31.58
2	Within 2-3 years	18.42
3	Within 3-4 years	7.89
4	No plan to Develop	42.11

In addition to supply management hierarchy, the 3rd question is to survey what kinds of components should be included in policy, which divided into two(2) groups. The 1st group is to survey the Supply Management Roles and & Responsibilities, Personal Conduct and Supplier Relationship, Authority to Make Commitment, Sustainability and Corporate Social Responsibility, Supplier Selection and Approval, Supplier Quality, Applicable Certification or Customer Preferred Standards, Supplier Quality Development and Improvement, Supplier Performance Monitoring and Improvement and Purchase Order and Other Forms of Agreement and 2nd group is to survey the processes for Indirect Materials inclusive of Tooling, Indirect/ Machinery and Equipment, Production Control & Logistics and Financial of Suppliers, etc. The results of the 1st and 2nd Group(GP 1) are as TABLE III and IV.

TABLE III. Components to Supply Management Policy(GP 1)

No.	Components	Resp.(%)
1	Organizational Goals/ Objectives/Roles & Responsibilities(OGORR)	19.54
2	Supplier Selection and Approval(SSA)	13.22
3	Sustainability and Corporate Social Responsibility(SCSR)	10.34
4	Authority to Make Commitment(AMC)	9.77
5	Supplier Quality(SQ)	9.77
6	Supplier Performance Monitoring and Improvement(SPMI)	9.77
7	Supplier Quality Development and Improvement(SQDI)	8.05
8	Purchase Order and Other Forms of Agreement (POOFA)	7.47
9	Personal Conduct and Supplier Relationship (PCSR)	6.90
10	Applicable Certification or Customer Preferred (AC or CP)	5.17

TABLE IV. Components to be Included in Policy(GP 2)

No.	Components	Resp.(%)
1	Production & Logistics(PC & L)	37.74
2	Indirect/Machinery and Equipment(IME)	24.52
3	Financial of Suppliers	24.53
4	Tooling	13.21

From the 5th question to 17th one is to survey preferred components to be included based upon TABLE III and IV. The 5th question is to survey components for Organizational Goals, Objectives, Roles and Responsibilities(OGORR) inclusive of roles & response- bilities, procedures, vision and mission as TABLE V.

TABLE V. Components to be included in OGORR

No.	Components	Resp.(%)
1	Supply Management Vision and Mission	37.33
2	Supply Management Responsibilities	31.34
3	Supply Management Procedures	31.34

The 6th question is to survey components to be included in personal conduct and supplier relationships(PCSR) which is one of the most important ones in view of supply management characteristics. Especially, more than 50% recommended to add Conflicts of Interest and Reciprocity" to PCSR. The results are as TABLE VI.

TABLE VI. Components to be included in PCSR

No.	Components	Resp.(%)
1	Ethic Standards	26.87
2	Relationships with Suppliers	22.81
3	Supplier is Critical to Customer	15.35
4	Former Employees Working for a Supplier	12.91
5	Treatment of Suppliers	8.06
6	Conflicts of Interest(COI) - Recommended	7.00
7	Reciprocity - Recommended	7.00

The 7th question is to survey components to be included in "authority to make commitments(AMC)" like fiduciary responsibilities, system requirements for sourcing, purchasing records, manual purchasing order and service procurement. The results are as TABLE VII.

TABLE VII. Components to be included in AMC

No.	Components	Resp.(%)
1	Fiduciary Responsibility	26.97
2	Purchasing System for Sourcing	24.72
3	Manual Purchasing Orders	17.98
4	Purchasing Records	16.85
5	Service Procurement	13.48

The 8th question is to survey the preferred acknowledgments to Sustain-ability and Corporate Social Responsibility, which is defined by Institute for Supply Management(ISM). The preferred components are a little bit different from sequences suggested by ISM as TABLE VIII.

TABLE VIII. Acknowledgments to ISM SCSR

No.	Components	Resp.(%)
1	Ethics and Business Conduct	17.61
2	Sustainability	16.20
3	Environments	12.68
4	Health and Safety	11.97
5	Supplier Diversity	10.56
6	Community	9.15
7	Human Rights	7.75
8	Employee Diversity	7.04
9	Financial Responsibility	7.04

The 9th question is to survey the preferred components for Supplier Quality Development and Improvement Process(SQDIP)". The Supply Management Professionals preferred to "Advanced Product Quality Process" and "Continuous Quality Improvement Process" based upon ISO9000 requirements as TABLE VIIII.

TABLE VIIII. Preferred Components for SQDIP

No.	Components	Resp.(%)
1	Continuous Quality Improvement Process	65.12
2	Advanced Product Quality Process(APQP)	34.88

The 10th question is to survey the preferred components to be included in "Supplier Performance Monitoring and Improvement (SPMI)", which is mainly focusing on "Potential Suppliers Assessment and Incumbent Suppliers Performance Monitoring. The results are as TABLE X.

TABLE X. Preferred Components for SPMI

No.	Components	Resp.(%)
1	Supplier Assessment	30.95
2	Supplier Selection and Improvement	27.38
3	Supplier Performance Monitoring	20.24
4	Verification of Purchased Product	13.10
5	Customer Directed Buy	8.33

The 11th question is to survey the preferred components for "Purchase Order and Other Forms of Agreement(POOFA)" as TABLE XI, which is including "General Terms and Conditions, etc.".

TABLE XI. Preferred Components for POFA

No.	Components	Resp.(%)
1	Payment Terms	13.98
2	Annual, Long Term and Master Supply Contract	13.29
3	General Terms and Conditions	12.59
4	Contract Issuance and Management	12.59
5	Raw Materials Escalation/De-escalation	11.19
6	Termination/Cancellation// Obsolescence Claims(TCOC)	9.79
7	Electronic Funds Transfer(EFT)	9.79
8	Right to Audit Clauses(RAC)	8.39
9	Bailment and Consignment	8.39

The 12th question is to survey the preferred components for "Tooling" as TABLE XII, which was mainly responded by manufacturing Organizations.

TABLE XII. Preferred Components for Tooling

No.	Components	Resp.(%)
1	Company Owned Supplier Tooling/ Ownership/Payment(COSTOP)	61.29
2	Use of Company Owned Tooling for Third Party Sales(UCOTTPS)	38.71

The 13th question is to survey the preferred components for "Indirect/Machinery & Equipment(IME) as TABLE XIII.

TABLE XIII. Preferred Components for IME

No.	Components	Resp.(%)
1	Purchasing Authorization	28.21
2	Times and Materials	17.95
3	Disposal of Scrap and Assets	16.67
4	Construction Materials	14.10
5	Selection of Single Source	14.10
6	Consultant	8.97

The 14th question is to survey the preferred components for "Production Control and Logistics(PC & L)" related to supplier as TABLE XIV.

TABLE XIV. Preferred Components for PC & L

No.	Components	Resp.(%)
1	Supplier Capacity	40.98
2	Electronic Data Interchange(EDI)	29.51
3	Terms of Delivery	29.51

The 15th question is to survey the preferred components for "Financial of Supplier", which is related to supplier as TABLE XV.

TABLE XV. Preferred Components for Financial

No.	Components	Resp.(%)
1	Financially Troubled Supplier	41.27
2	Advanced and Progress Payment to Supplier	33.33
3	Currency	25.40

The 16th question is to survey the preferred components for "The Differences between Public and Private Organization in Supply Management Policy(DPPO)." as TABLE XVI. POSMP is more than 55%.

TABLE XVI. Preferred Components for DPPO

No.	Components	Resp.(%)
1	Public Organization should have Supply Management Policy to Take a Lead in Private One(POSMP).	55.26
2	There are no Differences between Public and Private Organization	44.74

The 17th question is to survey the preferred components for "Public Organization should have Supply Management Policy to Take a Lead in Private One(POSMP) as TABLE XVII. PCSR, EP and GPP have the overlapping contents with each other. It will be desirable for SMP to combine it as a matter of convenience.

TABLE XVII. Preferred Components for POSMP

No.	Components	Resp.(%)
1	Policy for Corporate Social Responsibility (PCSR)	45.46
2	Ethic Policy(EP)	27.27
3	Green Purchasing Policy(GPP)	27.27

DISCUSSION AND ACKNOWLEDGMENT

First, the results of this survey are showing that supply management professionals regardless public and private organization have the similar preferred components for each question according to business characteristics. However, the preferred components don't mean that they should be applied in order when organizations will start implementation of supply management policy as shown on each TABLE. It will be not only depending upon organizational characteristics but also need the selective attention. Second, supply management professionals are acknowledging that public organization should have the supply management policy which could take a lead in private one as the leading corporate socially. Especially, supply management professionals requested to add "Conflicts of Interest and Reciprocity" to personal conduct and supplier relationships(PCSR) is very desirable direction.

CONCLUSION AND RECOMMENDATIONS

 In conclusion, it is desirable for all organization to have supply management policy suitable for each organizational characteristics because the policy is general guideline for direction of supply management as shown on each TABLE. Even though there are no big differences between public and private organization from supply management policy standpoints, it is clear and desirable that public organization should take a lead in private one as the leading corporate socially from supply management policy standpoints and include "Corporate Social Responsibility(CSR), Ethic Policy(EP) and Green Purchasing Policy(GPP)" in it.

Accordingly it is recommended that:

> 1. Public and private organizations have no big differences between the two and should have a policy at the top of hierarchy of purchasing/supply management process, even though there are the differences of extent.

> 2. Public organization should at least combine "CSR, EP and GPP" into a policy in consideration of overlapping parts with each other.

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