

# Logistics

*by Case Case*

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## **Strategic Sourcing and Supply at Federal Express**

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### **Strategic Sourcing and Supply at Federal Express**

Parniangtong (2016) notes that the strategic sourcing process involves developing supply channels at a low total cost, including the purchase price. There are seven major strategic steps involved in the sourcing process, and each stage has distinct elements that distinguish it. The first stage of the strategic sourcing process is the category assessment of industry and commodity profiles. This stage comprises confirmation of user requirements, development of category definition, the definition of basic characteristics, and understanding supply and industry markets (Payne & Dorn, 2013). This stage forms the foundation of the sourcing process, and the degree of definition will predict the failure or success of the project. The second stage, which is selecting the sourcing strategy, involves assessing the position of bargaining, evaluating alternative strategies, and selecting techniques and approaches that are most appropriate. The managers in charge of the sourcing process identify the most appropriate position to bargain and the relevant approaches that will help them execute the process (Carlsson, 2019).

The third stage of the strategic sourcing process is the generation of the supplier portfolio. Its elements are identifying suppliers that are qualified, determining value-added supplier capabilities, and developing a list of selected suppliers. At this stage, the team in charge identifies the suppliers who have shown interest in supplying commodities to the organization and selects those who fit the company requirements. After identifying the suppliers, the team selects a path of implementation whose elements are verification and adjustment of the sourcing strategy and development of the implementation (Lobermeyer & Kotzab, 2010). In the fifth step, the team negotiates and selects suppliers by planning the negotiation strategy, evaluating suppliers' proposals, conducting negotiations, and recommending decision sourcing. At the stage of operationalizing supplier integration, the team establishes relationships with the selected suppliers, links major processes, and conducts joint activities meant to improve the process (Payne & Dorn, 2013). In the final sourcing stage, benchmarking the supply market involves monitoring market conditions, assessing new technologies and impacts, and determining whether the category's reexamination is appropriate (Parniangtong, 2016).

The structure of governance at FedEx allows for delegation and execution of projects in various departments responsible for those projects. The board responsible for supply chain management aids the sourcing process by participating in activities that boost the process and provide the necessary resources and efforts for the process. The board helps different departments to assess the categories of commodities that exist in the industry. The governing board plans for the strategies that identify the source of services and raw materials used in the supply chain. The governors assess the position with which they can bargain with the suppliers, selects better strategies that can serve as alternatives to the identified ones, and settling on relevant approaches for executing the process (Lobermeyer & Kotzab, 2010). The board establishes mechanisms of identifying suppliers who can meet the company standards and identifies each supplier's capability to add value to the commodities they supply. The governance structure also organizes the goods to be delivered and puts the necessary logistics in place to facilitate the process.

FedEx has a hierarchical structure of governance. The organization has multiple departments whose members are answerable to their department leaders. The department leaders are responsible for coordinating the departmental activities and ensuring that the departmental resources are used efficiently to minimize the costs incurred and increase the profits earned. Though, the top managers of the organization participate majorly in the management of the supply chain (Parniangtong, 2016). They employ strategies that are

convenient to the suppliers and the operation of the company. The structure creates a room that enables the departments to identify the qualified suppliers and who are in a position to add value to the commodities they supply. The human resource department develops a list of the suppliers that they deem qualified for further assessment. The department assesses its suppliers' capabilities to meet the organization's requirements like quality, delivery in time, and delivery based on market prices. The structure establishes channels that allow for verification of the sourcing process and adjusting the approaches.

The hierarchical governance structure employed in the FedEx organization develops an operational plan through its head department. The strategy implementation team adopts the plan from the department and verifies it to assess its viability. The viable projects are implemented using the process outlined by the top department in the development plan. The tender allocation department plans the strategies of negotiating with the identified suppliers. The negotiation process creates a platform where the organization can bargain for better deals with the suppliers, including supply at discounted prices and supply of high-quality commodities. The negotiation process starts with the evaluation of the proposals submitted by the tender suppliers. The proximity to the organization and the convenience with which they can deliver is assessed. The organization may also assess the suppliers' experience and their history with the former organizations (Lobermeyer & Kotzab, 2010). The assessment facilitates identifying the most viable proposals based on the ratings the suppliers gathered with their former employees. After identifying the suppliers, the cost control department carries out negotiations to define the terms with which they expect them to deliver and sign agreements that will aid both the organization and suppliers in operating conveniently. The department then recommends the well-evaluated strategy of sourcing to the orders department and the human resource department.

The orders department works closely with the human resource department plans on how to transit to the phase of new suppliers and establish a long enough relationship for their operation. The two departments carry out the linking processes of the key operational activities to ensure that they work in harmony for the organization's success. The human resource department conducts collaborative processes that improve the activities of the company. These activities include training the employees and the suppliers on the expected delivery standards and the importance of working in harmony to meet the organization's set objectives.

Most of the elements used in FedEx also apply to several other companies in the industry. Most of the industries confirm the user's requirements, define the categories, and dig into the markets that exist in the industry to gather information about the prices, the sources of their raw materials, and the strategies they employ in the market to carry out successful competitions. FedEx competitors carry out activity interlinkage, evaluation of alternative strategies, and development of the implementation plan. Other companies in the industry also assess the technology used in the market and its suitability for integration into the organizational system. Other elements include monitoring the conditions in the market and conducting activities like benchmarking.

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