



## INTRODUCTION TO PROCUREMENT PROCESS

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### LESSON NO 1 – What is procurement and purchasing

In this lesson we talk with you about purchasing and procurement. What is the difference between purchasing and procurement? Very often, even procurement professionals purchasing professionals confusing and mistaken these two terminology. Purchasing. In procurement. What is the difference between that it is different in covering the tasks. It is different in people involved in these functions, and well, it is different at what they complete. Let's look more precise in the purchasing and procurement. So purchasing it is more reactive. When we talk purchasing, we discussing more transactional or operational functions. People work in this function and do certain type of tasks and job involving in the supporting, for example, operations or other supply chain functions or business. And also purchasing is tactical. So we have certain tasks, we have certain scope of jobs, and we need to support undestructive supply for our factory or for our plan, for example. So when we are talking about purchasing, we are talking mostly about buying goods or services for some purpose and looks to another side of procurement. And let's talk about procurement. Procurement is more about strategic, about more wide functions for supply chain and for procurement tasks. And procurement embrace broader process than purchasing. Let's look about it. When we talk about procurement, we start from the business needs and we work very close with our internal clients and with other functions. It means that we are not waiting like procurement professionals till we've got some tasks or we do some jobs. It means that we are more Proactive, we work with business needs, we work with market supply, and we work with our suppliers. So we are more close to the board and we are sitting on the table with other top management and with other functions. And of course, procurement reflects the more relational, more strategic and more integrated role in the modern life. Let's look at this table about the difference between procurement and purchasing. So procurement activities related to the acquiring goods and services, as I mentioned already, versus functions purchasing associated with buying goods and services. And as I mentioned, we start in the beginning of the procurement process, starting from the needs, in procurement steps that happen before, during and after purchasing, and in purchasing, the straightforward process of purchasing commodities procurement more

importance for an item's value that it costs. And in purchasing focus more on the items prices than its value. And of course, in purchasing it is very important to concentrate it on the prices. And in procurement we cover more wider scope of negotiation and of the contract. And as I mentioned, it is more strategic. In procurement we refer to a set of tasks that support and fulfill needs. Again, we start from the early beginning in procurement cycle fulfillment the needs and in purchasing, we just prefer the specific task of committed expenditures. And in procurement includes need, recognition, sourcing, and contract closure as well. But in purchasing we operating, ordering, expediting, and payment fulfillment. It is very important for purchasing and in procurement. We follow a proactive approach to fulfill needs and in purchasing we react approaches to satisfy internal needs because it is very important to support unpredicted supply and focuses in procurement on creating long term vendor relationships and purchasing focusing on transactional then vendor relationships. It is very important so you can see how it is important the both parts of whole procurement cycle purchasing and procurement. It doesn't mean that something is more important or something is less important. Please understand and fix it that purchasing and procurement both very important for your company, for your business, for your factory. It doesn't matter and you need to pay attention for both parts of this process. See you next lesson.

