

PREFACE

Welcome to the exciting, wonderful world of supply management! This decade, more changes are taking place in the areas of supply management, supply chain management, supply network management, buyer/supplier alliances, and virtual corporations than in the history of humankind.

Dynamic collaborative and trusting alliance relationships and networks are the keys to survival and success in the 21st century. These relationships are best established and nurtured by supply management professionals. Information technology, engineering, marketing, operations, quality, and finance all play critical, enabling roles in our quest for value-add relationships.

The transformation from clerical and mechanical purchasing through proactive procurement and on to World Class Supply ManagementSM parallels the evolution of mankind from caves to visiting the moon. In some ways, this transformation has been mirrored by at least one of the leading supply management professional organizations. Where we once had the National Association of Purchasing Agents, and then the National Association of Purchasing Management, today we have the Institute for Supply ManagementTM.

What is the primary reason for the shift from tactical purchasing roles to strategic supply management roles? Supply management has major impact on the organization's bottom line. It can facilitate or destroy marketing's efforts to increase sales. Supply management has always been a part of the "front-line" defense to contain costs. Now World Class Supply ManagementSM is also the "front-line" offense to improve the bottom line through reduced costs. And supply management has as much or more impact on the organization's return on assets than does any other business function.

The term "supply chain management" came into vogue during the 1990s. Many information technologists, logisticians, management scientists, and industrial engineers have argued that their individual function should be the drivers of the chain. But informed practitioners and academics alike recognize that carefully developed cross-functional supply management teams are the key to successful supply chains and supply networks. All functional areas must collaborate with relevant suppliers to realize the greatest opportunity for success.

Many executives have been brainwashed by aggressive software vendors into believing that e-commerce will eliminate the need for supply professionals. Wrong. Dead wrong! E-commerce must be viewed for what it is and what it contributes: e-commerce and the Internet are wonderful, powerful enablers. They are slaves, not masters!

The thinking underlying this seventh edition of our text began in the 1950s when I enjoyed my first appointment as a Chief Procurement Officer. My evolving philosophy first saw the power of the press in 1984 with the publication of "Proactive Procurement: The Key to Increased Profits, Productivity, and Quality." In 1984, I was privileged to join Lamar Lee, Jr., my former Professor of Purchasing during my days at Stanford and his

co-author, Donald W. Dobler, as the junior co-author of the Fourth edition of *Purchasing and Materials Management*. Many wonderful people and several events have contributed to my knowledge and evolving philosophy during the years subsequent to 1984. Serious work on the current seventh edition began some four years ago.

In 2000, I had the good fortune to meet Stephen Starling, Assistant Professor of Operations Management at California State University, Hayward. Dr. Starling and I share philosophies and a missionary zeal for bringing procurement into the 21st century. In 2001, Stephen joined me as co-author of the seventh edition and as a colleague at the University of San Diego, where he is an Associate Professor of Supply Chain Management. Dr. Starling developed two totally new chapters and has contributed countless upgrades to many of the other chapters in this edition. Perhaps of greatest importance to our many adopters, Professor Starling is responsible for both the content of the Instructor's Manual and for taking it online.

Our new edition has benefited enormously from the invaluable contributions of countless colleagues. Rommy Los (my former student and currently Corporate Purchasing Manager at Henkel KGaA) developed the important material addressing supply management's role in protecting Mother Earth. Stephen Rodgers of Procter and Gamble contributed an important section on supply management's responsibilities in ensuring that workplace issues are addressed when sourcing with the global marketplace. Tom Oleson of Nationwide Insurance assisted with the services chapter. Robert Porter Lynch has contributed to my insight on buyer/supplier alliances. Ray Hummell took my preliminary work on the total cost of ownership and carried it forward as a key cornerstone of World Class Supply ManagementSM. Ray also provided invaluable assistance in upgrading and updating our material on price and cost. Bill Richardson provided deep insight into Deere & Company's approach to supplier development. Professor Craig Barkacs brought our work on legal and ethical issues into the 21st century. Chuck Noland of the QP Group and former VP Supply Chain Management at Kaiser-Permanente Healthcare helped us reintroduce an updated chapter on institutional procurement. Cathy Eldridge of Raytheon and the National Contract Management Association provided invaluable assistance in updating and enhancing our chapter on government procurement. Jim Reeds provided much thoughtful input throughout the book's evolution. Dick Pinkerton was an invaluable sounding board and facilitator during the development of many of our ideas. R. David (Dave) Nelson, Chairman of the Institute of Supply Chain ManagementTM and formerly employed as VP of Worldwide Supply Management at Deere & Company; Bob Kemp (former President of NAPM); Emiko Banfield, VP, Shared Services at Southern California Edison; Teresa Metty, VP Motorola; Dr. Dave Lehmann, VP Operations, Solar (ret.); Merle Roberts, Founder and President of Perpetual Frontiers; and Professor Scott Kunkel of USD, all played important contributing roles in the development of our final chapter: "Implementing World Class Supply Chain ManagementSM."

I express my appreciation to Curtis Cook, Dean of the School of Business of the University of San Diego, for his assistance and support in bringing Professor Starling to our campus. We made a wonderful choice, Curtis, thank you!

It is with a combination of pleasure and pain that we say adieu and bon voyage to co-author Donald W. Dobler. Don has played a key role in the success of the previous six editions of our text. Don's contributions to the fields of purchasing and materials

resulted in his selection as a Shipman Medalist by the National Association of Purchasing Management. Don, Sharon and I wish you and Elaine many years of happiness!

Kerry Kilber, Karen Kukta, and Kelly van der Dussen were the glue that held this project together. Their professionalism, patience, and tolerance of my humanness were, and are, appreciated beyond my ability to express in words. Steven Staninger, Business Librarian, Copley Library at the University of San Diego, was an invaluable resource! Thanks Steve!

My wife, Professor Sharon Burt, and Stephen's wife, Pam, have been the unsung heroes who put up with Stephen's and my obsession with making this seventh edition the best that it can be. We express our appreciation and our commitment to make it up to both of you.

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