

What is Tactical Sourcing?



The struggle to support your company's goals, cut costs, and create value while minimizing risk exposure is one familiar to procurement professionals.

Strategic and tactical sourcing both play important parts in successful supply chain and relationship management, but the latter doesn't always get its due.

Priorities, processes, and plans vary, and procurement isn't a one-size-fits-all endeavor.

Understanding the capabilities and limitations of tactical sourcing can help you integrate it more effectively into your procurement process, and improve the agility and overall productivity of your purchasing organization.

Comparing Strategic and Tactical Sourcing

While they take very different approaches, both strategic and tactical sourcing strategies support your company's needs through the procurement process and supply chain management.

Strategic Sourcing

Built on a comprehensive and long-term system of processes, strategic sourcing is used by procurement departments to support current and future business objectives.

Focused on slashing costs and reducing total cost of ownership (TCO) while driving risk as low as possible, this sourcing process combines enterprise-wide ambitions with procurement-specific continuous process improvement.

The strategic sourcing system stands on three "legs":

- **Spend Analysis**, which uses transactional activity to identify potential areas of cost reduction and process improvement.
- **Market Research** to provide insight on both current market conditions and likely shifts within the marketplace that could affect the availability of raw materials, new markets to pursue, changes in consumer behavior, etc.
- **Supplier Relationship Management** to fully optimize vendor selection, review, and modification processes.

Because of its complexity, scope, and timeframe, strategic sourcing often relies on both elaborate project management and a dedicated procurement software solution to achieve maximum efficacy and efficiency.

These powerful technology tools enable the real-time communication and automation that help eliminate human error while facilitating collaboration, innovation, and relationship development (both internally and externally).

Tactical Sourcing

If strategic sourcing is a vast, sprawling campaign in the war for long-term success, tactical sourcing is a skirmish that ensures the troops live to fight another day.

This approach to procurement is more common in smaller businesses, manufacturing companies where procurement is heavily focused on production operations, and in older companies that may not have the need or ability to fully embrace the more elaborate demands of strategic sourcing.

Whereas strategic purchasing is built on long-term planning, robust contract negotiation, and automation-driven optimization, tactical sourcing is short-term and hands-on.

It uses fast requisition, quote, and order processes in pursuit of short lead times, high quality, and the lowest price.

Enterprise-wide initiatives take a back seat to meeting the needs of production, and while it can take a reactive, approach, the goal of any successful tactical procurement remains obtaining the best possible goods at the ideal time—and for the best possible price.

Focused as it is on immediacy and operations, the tactical approach doesn't have the same scope or complexity as its strategic sibling.

Market research may be limited, and vendor relationship management may be absolutely minimal.

The supply base will likely be both broader and more varied, but relationships may lack depth and longevity.

As a result, procurement teams relying strictly on a reactive approach to tactical procurement may miss out on valuable negotiation opportunities, partnerships, and process improvements.

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Could Tactical Sourcing Benefit Your Business?

While it might seem specialized for manufacturing companies, tactical sourcing can benefit just about any business, regardless of size.

When there's a time crunch, procurement and production management overlap, or the tech, tools, or skills aren't quite where they need to be for strategic procurement, tactical buys keep the production line humming and the company growing.

Of course, that's not to say tactical sourcing doesn't have a place at the table for strategy-minded procurement teams. In fact, pairing tactical with strategic procurement can give you the best of both worlds.

Automation, centralized contract and document management, and continuous improvement initiatives support company-wide process improvements and savings, while allowing those with tactical responsibilities access to pre-selected vendor resources or the ability to bring new vendors into the fold if they offer superior pricing, terms, and quality for a one-off purchase.

Connecting the two means you'll be able to track all financial data, eliminate rogue spend (tactical or no), and ensure your team members are putting their skill sets to work where they can generate not just cost savings, but value through reduced TCO.

Sometimes, a Tactical Strike Gets the Job Done

The savvy procurement professional can never have too many useful tools in their value-building kit.

And while it may be of limited use in the wide shot, it has the versatility, and the hands-on, human touch, needed to create (or seize) short-term opportunities for savings on essential goods and services.

By integrating it into your larger procurement strategy, you'll be ready to win the battle as well as the war.

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