

SUPPLY CHAIN GLOSSARY OF TERMS

A

Ancillary Services

Non-core Services

B

Branch Office

A division or sub-division of the organization that provides services to the local area. In the case of the SSO, Branch Supply Chain offices will be located across the province to offer local client services as well as participating in provincial –wide services.

Business Case

A document that presents information on a topic in order to make a decision. It includes statistics and financial information.

Business Model

Describes the way in which a company will manage its operations and finances.

C

Category Management

Organization of products into “streams” or commodity groupings where the products are related and then managing the sourcing and procurement of “stream” or category.

Consolidation

The bringing together (e.g. merger or acquisition) of many smaller units or companies into much larger ones under one organizational structure.

Contracting

The final stage in the process of sourcing strategically; may include upon development of a sourcing strategy, issuing an RFP to the market and/or negotiating with existing supplier(s) and finalization of contractual terms and conditions.

Core Services

Services or functions that are considered basic to Supply Chain services; for example, the functions of procurement (purchasing), in-hospital replenishment and inventory management are basic Supply Chain functions whereas sterile processing may not be considered an “Ancillary Service”.

Cost Benefit Analysis

A formal discipline used to help appraise, or assess, the case for a project or proposal; the process involves weighing the total expected costs against the total expected benefits of one or more actions in order to select the best or most profitable option.

D

Disintermediation

The removal of intermediaries in a supply chain thereby "cutting out the middleman" and dealing directly with the product source. For example, an agreement to purchase directly from a manufacturer instead of through a distributor.

Distribution

An organization or set of organizations (go-betweens) involved in the process of making a product or service available for use or consumption by a consumer or business user. Typically a distributor will purchase an item, provide a service such as consolidation of manufacturers and sales support and resell the product directly to the end purchaser for example a health authority.

E

EDI (see Electronic Data Interchange)

Electronic Data Interchange

A set of standards for structuring information to be exchanged electronically between two or more trading partners (e.g., a hospital and supplier).

Engagement

The process of involving the client/consumer in a meaningful experience such that s/he feels s/he is an integral part of the action

Enterprise Resource Planning System

Large software systems used by large organizations to manage and plan resources, including human resources, payroll, customer accounts and supply chain

ERP (see Enterprise Resource Planning System)

F

FTE (see Full-time equivalent)

Full-time equivalent

The amount of time an employee works to be considered a full-time employee; the amount of time required may vary (e.g. by union membership)

G

GPO (see group purchasing organization)

Group purchasing organization (GPO)

An entity that leverages the purchasing power of a group of organizations to obtain improved purchasing terms and/or discounts from vendors based on the collective buying power of the GPO members.

I

Infrastructure

Interdependent services/resources required for a system to be effective

Insourcing

Opposite of outsourcing; insourcing (or contracting in) is often defined as the delegation of operations or jobs from production from an external organization to an internal entity that specializes in that operation.

Integrated Supply Chain Model

Communication and efficient, effective processes across the supply chain from user requirement through to supplier replenishment to ensure that the right product is sent to the right place at the right time.

Inventory

Goods and materials themselves, held available in stock by a business.

Inventory Management

The process of monitoring and controlling the goods and materials held in the inventory to ensure appropriate service levels are maintained.

L

Leverage

Supplementing existing funds for investment in such a way that the potential positive or negative outcome is magnified and/or enhanced.

Logistics

The management of the flow of goods, information and other resources, including energy and people, between the point of origin and the point of consumption in order to meet the requirements of consumers; involves the integration of information, transportation, inventory, warehousing, material-handling, and packaging.

M

Materials Management

The branch of logistics that deals with the tangible components of a supply chain. Specifically, this covers the acquisition of materials and supplies, quality control of purchasing and ordering such parts, and the standards involved in ordering, shipping, and warehousing the said parts.

Metrics

Measurements of performance. Typical SC metrics would be Fill Rate, Lines picked per FTE per day, Med/Surg spend per FTE

P

PAR

PAR or “top up” refers to the replenishment of supplies by a Supply technician at the point of use to predetermined quota levels.

Patient Portering

The accompanied movement of patients within a health care facility.

Patient Transportation

The accompanied or unaccompanied movement of patients external to the health care facility and managed by the health care system.

PDC (see Product Distribution Centre)

Pick Rates

Measure of the average rate of lines/picked per hour of supplies in a warehouse operation.

Price Normalization

Process of addressing differences in prices charged to different health authorities for the same products by the same suppliers such that all health authorities pay the same price for the same product from the same supplier.

Procurement

Management of the purchase of supplies, services and equipment from user requirement through to payment.

R

Replenishment

The action of restocking depleted items or materials.

Request for Information

Is a standard business process, the purpose of which is to collect written information about the capabilities of various suppliers. Normally it follows a format that can be used for comparative purposes. An RFI is primarily used to gather information to help make a decision on what steps to take next. RFI's are therefore seldom the final stage, but instead are often used in combination with: Request for Proposal (RFP), Request for Tender (RFT), and Request for Quotation (RFQ). In addition to gathering basic information, an RFI is often used as a solicitation sent to a broad base of potential suppliers for the purpose of conditioning supplier's minds, developing strategy, building a database, and preparing for a RFP, RFT, or RFQ.

Request for Proposal/ Request for Quotation

Is an invitation for suppliers, often through a bidding process, to submit a proposal on a specific commodity or service. A bidding process is one of the best methods for leveraging a company's negotiating ability and purchasing power with suppliers. The Request process brings structure to the procurement decision and allows the risks and benefits to be identified clearly upfront.

To receive correct quotes, RFQs or RFPs often include the specifications of the items/services to make sure all the suppliers are bidding on the same item/service. Logically, the more detailed the specifications, the more accurate the quote will be and comparable to the other suppliers. The suppliers have to return the bidding by a set date and time to be considered for an award. Discussions may be held on the bids (often to clarify technical capabilities or to note errors in a proposal). The bid does not have to mean the end of the bidding. Multiple rounds can follow or even a Reverse auction can follow to generate the best market price.

Sometimes RFQ can also mean Request for Qualifications, this is the initial stage for an RFP/RFQ

RFI (see Request for Information)

RFP (see Request for Proposal/ Request for Quotation)

RFQ (see Request for Proposal/ Request for Quotation)

S

Service Level Agreement (SLA)

A Service Level Agreement (SLA) is a negotiated agreement between two parties where one is the customer and one the service provider. This can be a legally binding formal or an informal 'contract'.

Shared Service Organization

This is an approach to service delivery. It's client-led and client focused – clients are involved in determining the services they want to receive and their input is used to continuously improve service delivery and provide value for cost. The shared services model creates economies of scale and provides the flexibility to meet individual client needs. Shared services organization offers a "best practice" business solution to clients. A 'best practice' approach is a high performance way of achieving business objectives, which solves problems, creates opportunities, and improves business results.

SLA (see Service Level Agreement)

Spend

Total organizational expenditures on supplies, services, human resources and capital.

- Addressable: Organizational spend available for management by the Procurement department.
- Managed spend: Organizational spend currently managed by the Procurement Department.

Standardization

Standardization is the process of reducing diversity of product used across an organization or group of organizations by agreeing on the use of standard products, and contracting for those products.

Stock Keeping Unit

A unique identifier for each distinct product and service that can be ordered from a supplier. Usage of the SKU system is rooted in data management, enabling the merchant to systematically track their inventory, such as in warehouses and retail outlets.

SKU (see Stock Keeping Unit)

SSO (see Shared Service Organization)

Strategic Sourcing

Is an institutional procurement process that continuously improves and re-evaluates the purchasing activities of an organization. It is one component of supply chain management. The steps in a strategic sourcing process are:

1. Assessment of a company's current spend (what is bought where?)
2. Assessment of the supply market (who offers what?)
3. Development of a sourcing strategy (where to buy what, while minimizing risk and costs)
4. Identification of suitable suppliers
5. Negotiation with suppliers (products, prices)
6. Implementation of new supply structure
7. Track results and restart assessment (continuous cycle)

Sterile Supply

Is a service within the hospital in which medical/surgical supplies and equipment, both sterile and non-sterile, are decontaminated, cleaned, processed, stored, picked and issued for patient care.

Supply Chain

Is the management of a network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers (Harland, 1996). Supply Chain Management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption (supply chain).

T

Transactional Process

Non-strategic, tactical processes. For example in supply chain this would include order placement, receipt and payment.

U

Utilization Management

Is the evaluation of the appropriateness, medical need and efficiency of health care services procedures and facilities according to established criteria or guidelines and under the provisions of an applicable health benefits plan. Typically it includes new activities or decisions based upon the review and improvement of the utilization of products within the organization including both clinical and non-clinical users.