



Purchasing & Supply Chain Management (PSCM)

“Improving Warfighter Readiness through PSCM Transformation”



FACT SHEET #4: PSCM... What Does It Mean?

What is “Purchasing and Supply Chain Management”?

We often hear the term “Purchasing and Supply Chain Management” (PSCM) being thrown around as if we all know what it means. The trouble is, “PSCM” can be used in different contexts:

- Is PSCM “a major **AFMC-wide transformation**, or initiative, that is part of a broader transformation of Air Force logistics and procurement?”
- Is PSCM “a set of **industry best practices** that are guiding the PSCM transformation?”
- Is PSCM “the **integrated process team** (IPT) that is implementing the PSCM transformation?”

Yes! PSCM is all these things. This fact sheet briefly describes each of these definitions of PSCM.

What is the Purchasing and Supply Chain Management transformation?

The PSCM transformation is a major Air Force initiative to improve and integrate AFMC’s purchasing and supply processes. We are undertaking this transformation to increase the availability of parts to the warfighter, improve product quality and delivery, and reduce our cost of doing business. The PSCM transformation will eliminate waste, streamline processes, and integrate purchasing and supply chain responsibilities.

The PSCM transformation is an “enterprise-wide” effort, which means it is a collaboration between the three Air Logistics Centers (ALCs), HQ AFMC, customers and suppliers. The PSCM transformation is part of a larger Air Force transformation effort led by the AF Directorate of Innovation and Transformation. This transformation is known as *eLog21*, which is short for “Expeditionary Logistics for the 21st Century.”

For more information about the PSCM transformation and why AFMC has launched this initiative, see PSCM Fact Sheet #1, “An Introduction to PSCM.”

What industry best practices are guiding the PSCM transformation?

A number of industry best practices and business concepts underlie the PSCM transformation. Here are just a few.

What is a Supply Chain? The Defense Department defines *supply chain* as: “the linked activities associated with providing materiel from a raw materiel stage to an end user as a finished product.”

We can think of the supply chain as the links in the logistical process, stretching from acquisition of raw materials to delivery of finished products to the end user. Everything that is needed to create and deliver products and services to customers is considered part of the supply chain.

The supply chain includes all the players who have a stake in this complex process. For AFMC, the supply chain includes commercial and organic maintenance facilities, testing facilities, distribution depots, reutilization and marketing offices (DRMO), weapon system program offices, transportation networks (including contract carriers), military service and Defense Logistics Agency (DLA) integrated materiel managers, commercial distributors and suppliers (including manufacturers), weapon system support contractors, cataloging services, retail supply chain activities, engineering support activities, and most importantly, our customers.

What is Supply Chain Management? Understanding supply chain lingo is just the first step. The real benefit comes when an organization can manage the supply chain to achieve bottom line results.

Supply chain management is a cross-functional approach to procuring, producing, and delivering products and services to customers. The objective of supply chain design is to weave each of the process stakeholders into a seamless fabric of information flow, physical distribution flow, and cash flow for the benefit of the end customer and our suppliers.

The idea of managing the supply chain is a relatively new idea. In the past, we had separate functions that were each responsible for a major part of the process. Leaders in industry and the Air Force are now recognizing the power of linking the activities of these separate departments into a fully integrated process.

The potential results of redesigning our purchasing and supply chain processes are significant. Commercial firms adopting streamlined supply chain management practices have realized a significant

increase in quality of goods and services, improvement in customer support, and reduction in total supply chain costs. By incorporating more flexible, strategic supply chain management practices in our own AF sustainment processes, we can expect to achieve similar results.

How will the PSCM transformation apply industry best practices?

The PSCM transformation represents a fundamental change to the way we do purchasing and supply for the Air Force. The PSCM transformation will:

- Strategically link demand planning, purchasing, inventory management, suppliers, supply base management, and our customers.
- Create continuous improvement in supplier performance (including quality, responsiveness, flexibility, and technology) stimulating lower cost of purchased goods, services and our Total Ownership Costs.
- Provide an “enterprise-wide” perspective. PSCM will focus on interrelationships across the entire supply chain from the supplier’s supplier to the customer’s customer.
- Commodity councils will provide a more strategic focus on purchasing and supply activities to ensure acquisition and material management strategies are focused on the goals of the organization.

A New Approach to Purchasing. The PSCM transformation will change our approach to planning and purchasing. Our new mechanism for sourcing goods and services will be characterized by:

- *Strategic Approach to Purchasing*—We will move from contracting with small, short-term contracts to larger, longer-term contracts with the plan of improving our relationships with key and best suppliers.
- *Continuous External Market Intelligence*—On a continuous basis, we will gather and analyze external market intelligence (e.g., market trends, financial positions of market players, etc.). This information will enable us to develop better purchasing strategies.
- *Performance-Based Contracts*—We will increase our use of performance-based contracts. In other words, we will use performance work statements that set forth contract requirements in clear, specific, and objective terms with measurable performance standards. We will include performance incentives where appropriate.
- *Proactive Supply Base Management*—We will be more involved in looking at the market, supplier capacities and changes in the industry. This will allow us to react to the expansion or shrinkage of the overall base in a more timely manner.
- *Proactive Supplier Management*—We will interact with our suppliers on a continuous basis, not just when it looks like something has gone wrong.

A New Approach to Supply. The PSCM transformation will change our approach to supply chain management, as characterized by:

- *Requirements Definition and Integration*—We will specify performance characteristics from the customer’s perspective. We will provide demand analysis and forecasted requirements for supplier capacity planning and scheduling purposes. We will provide actual demands to suppliers for operational purposes (for example, e-commerce).
- *Strategic Sourcing*—We will develop material and sourcing strategies based on the design and characteristics of the supply chain and product. We will make greater use of contract/service level agreement flexibility, demand-based support, and performance-based arrangements. For example, when demand is volatile, we may build more flexibility into our agreements with suppliers. If demand is stable, we may ask our suppliers to take on more risk by holding inventory.
- *Integration with Suppliers*—We will collaborate with suppliers to better anticipate and meet customer demands. We believe that continuous sharing of our demand and forecast data will dramatically reduce risks for both the Air Force and our suppliers.

What is the “PSCM Team”?

The *PSCM Team* is the integrated process team (IPT) that is leading the PSCM transformation. The team was chartered in February 2003 to implement purchasing and supply chain management practices that will improve product quality and delivery and reduce purchase costs.

The PSCM Team represents a major collaborative effort across AFMC. The team is composed of subject matter experts from a wide cross-section of disciplines including Acquisition, Item Management, Contracting, Engineering, Finance, Maintenance and Program Management. The team includes representatives from the three ALCs, HQ AFMC, HQ USAF, and Regional Supply Squadron (RSS) members from ACC and AMC.

As described in PSCM Fact Sheet #1, the PSCM team delivered an enterprise implementation plan in April 2004 that addressed redesigned business processes, new job roles, a justification for required information technology, an approach for workforce training, and a proposed organizational structure. Full deployment of the plan has begun.

How can I learn more about the PSCM transformation?

For more information, we invite you to contact us at PSCM.info@wpafb.af.mil, or visit our website at:

- <https://afkm.wpafb.af.mil/ASPs/CoP/OpenCoP.asp?Filter=OO-LG-OO-SC>