

## Think Procurement - The Procurement e-Bulletin from Brian Farrington Ltd

### August 2007 Issue:

1. NAO seven key aspects of Procurement - part 1 aspects 1-3 [Aspects](#)
2. CIPS 'Outstanding Contribution Award' Promotion [more](#)

Sent to 2509 subscribers on the first Monday of every month.

Welcome to this month's new subscribers (and our loyal ones!).

Please forward *Think Procurement* to those in your network interested in:

***'How to enhance management of third party expenditure and mitigate risk'***

To leave the list or change an e-mail address, scroll to bottom.

Word count for this issue: 2067

Approximate time to read: Just over 5 minutes.

### Latest Think Procurement Hot-Links

Brian Farrington Ltd Consultants are sharing experience and expertise at the following events in September 2007:

- a) Combating the salesperson's negotiation agenda, and
- b) The value of Key Performance Indicators to Buyers (and Suppliers!)

**Conference on University Purchasing:**

Royal Armouries, Leeds

2 presentations on 6 September -

[for details click here](#)

**Negotiation can be fun?**

CIPS Chiltern branch – Milton Keynes

13<sup>th</sup> September

[for details click here](#)

**Supplier Relationship Management**

CIPS Regional Membership event – Stirling

19 September

[for details click here](#)

**IT and software procurement**

Hawsmere Seminar - London

19-20 September

[for details click here](#)

**Think Procurement Subscriber benefit:**

On behalf of Think Procurement e-Bulletin subscribers, Brian Farrington Ltd has negotiated a **10% discount** with Hawsmere for all new bookings on any of their seminars. Quote promotional code SPK10 by email:

[Hawsmere-Farrington](#) or call Hawsmere on 0845 120 9602.

## 1. NAO Seven Key Aspects of Procurement

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Last month we promised to comment on three of the NAO seven key aspects of Procurement in their report HC 361-1 (2004). Their report was aimed at the public sector but the key aspects are applicable to the public and private sectors.

### Aspect 1

The first of the aspects was 'Raise Commercial Awareness'. Where do you start with this? In our experience there is a big opportunity to aim some training at technical specialists in an organisation. Many come to mind, including, IT, marketing, design, contract managers, service managers, finance, internal audit and manufacturing/service delivery specialists. The content is vital but in our experience so is the manner in which the message is got across. The ability to persuade that procurement can contribute to delivery of an appropriate solution is what the specialist outside of procurement must hear. Of course, a serious supply problem will help reinforce the message, as will constructive observation on current events. One of our consultants very recently reduced a proposed price agreed by a technical specialist by >90%. No this isn't an exaggeration, it actually happened. When the good news was given the outcome was criticised because now they had to find another way to get rid of the money!

In a similar vein we have known budget information to be disclosed to suppliers on the grounds that it would help them. We have recently heard an amazing statement that negotiation should not be allowed because it is unethical. No doubt you could add other bizarre statements and beliefs. In order to balance the above we must point out that many suppliers need an injection of commercial awareness. We have recently sat through days of presentations on tenders. When key questions have been put to the presentation teams their responses have lacked depth and reality. Do you agree with open book? A reasonable question we thought. One reply stated that all price information was highly confidential. Sound commercial awareness would enable all the above situations to be dealt with. *We have a very effective one-day programme available to help organisations embark on the [enhancement of commercial awareness](#). Within the past month we have presented it to a Senior Management Team at one of our clients, with very positive results.*

### Aspect 2

The second aspect was 'Have better management information to identify and tackle poor procurement performance'. When we begin a consultancy assignment with the intention of transforming procurement we need relevant and decisive management information very quickly. Some of it is very obvious. How much do we spend with third parties? What goods and services are purchased (broken down into commodity groups)? Who are the suppliers with whom we currently trade? What is the forecast expenditure over the next three/five years? Where is the contract data base for the organisation? You may have already concluded that the problem of providing accurate, timely and meaningful data is getting more difficult as the above questions are posed. Let us use the example of a contract data base to explore the difficulties. In 2007 it is still the case that many contracts are unwritten, many cannot be found, others simply get extended by default, many are on the supplier's terms and conditions, and others are in a foreign language and need translating! In one recent scenario the client advised that over 75% of their contracts are on the supplier's terms and conditions. No, we do not exaggerate. In some instances we have found contracts with a life of 15 years still to run but no one has the accountability to monitor contract review dates or to serve notice of cancellation. This is often the case when suppliers require twelve months notice of cancellation. If this notice is not served the contract automatically extends for a further year. When we are engaged in outsourcing services, for example, for local authorities some contracts will need novating. It is a major task to find them.

The Board of Management/Directors wants management information about procurement. This could include contracts awarded, supplier performance, price achievements against budgets, cost reduction achievements against targets, vulnerability of supplies, supplier relationship management achievements, non-compliance with procurement procedures/policies and so on. An ill informed management team will not support procurement.

We would be delighted to share our experience with you and your management team. [The delivery of management information must not be a mechanical presentation of statistics](#), it must assist the achievement of agreed strategies.

### Aspect 3

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The third key aspect was to 'Work more closely with other departments and agencies to maximise their collective buying power to secure better deals'. To those not in the public sector, we can hear you saying how very obvious. It is! But it is still not a natural way of life. There is an encouraging trend to work more closely between, say, local authorities. However neither Central Government nor Local Government has its house in order. In local government it would not be unusual for Departmental decision makers not to engage with procurement on any purchases. A frequently heard 'reason' is that it is the Department's budget and they can spend it however they want. Sadly this attitude is accompanied by an annual tendering process, rather than aggregating the demand over, say, four years. It is often a shock to such decision makers when the EU Procurement Directives are explained and that the Directives are being breached. Some public sector buyers do not seem to be aware that, for example, there are contracts already in existence with OGC Buying Solutions that can be drawn from where the benefit of aggregation can be obtained. Is it any better in private sector organisations? It differs. Some are good; others still have a long way to go. In one major reorganisation of procurement we had the task of integrating procurement in Europe, USA and Canada. Capturing the expenditure detail was very difficult, particularly in regard to commodity groupings.

We have a [methodology to assist our clients aggregate purchases](#) and to identify other agencies and departments where co-operation could pay dividends.

To arrange a brief meeting with one of our team to discuss any of the 7 aspects of procurement identified by NAO please contact [Stephen Ashcroft](#) or call 01744 20698.

## 2 CIPS Outstanding Recognition Award Promotion

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On 14 July 2007 our Managing Director, Dr Brian Farrington, received an Outstanding Contribution Award from the Chartered Institute of Purchasing and Supply for his lifetime work in developing procurement best practice.

In celebration of this achievement we are launching a special "Outstanding Contribution Award Promotion" for *Think Procurement* subscribers only.

### **Discount**

You are invited to benefit from a 10% discount on any of our range of products and services delivered by our team of procurement consultancy and training specialists. This offer includes our Metrics of Procurement Excellence, value audits and all 2007 in-house training courses.

### **Bonus**

As a bonus when we are awarded a new contract, we are offering a complimentary copy of Lysons & Farrington Purchasing and Supply Chain Management 7<sup>th</sup> edition, described by CIPS as 'the procurement bible'. Furthermore we are pleased to confirm we will provide access to the password protected online learning resources supporting each chapter of the book. This bonus offer is available to *Think Procurement* subscribers only.

Our **Outstanding Contribution Award Promotion** starts today (Monday, 6 August 2007) and ends on Friday, 10 August 2007. After that the 10% discount ends.

### **Next steps**

To secure your 10% discount on Brian Farrington Ltd products and services as well as receiving a free copy of the UK's most popular procurement text with access to online resources in our **Outstanding Contribution Award Promotion** please contact [Stephen Ashcroft](#) or call 01744 20698.

## Notes

- a) The CIPS Outstanding Contribution Award is to reward members and encourage contribution as a volunteer to the running of the institute and delivery of its plans. It is the role of the CIPS Awards & Honours Panel to identify those individuals and ensure that their efforts receive the special acknowledgement they deserve. The criteria used in evaluating awarding individuals are:
- Service to CIPS and to the profession
  - Service 'above and beyond' the norm, through effort and/or impact
  - Generally, over a significant period of time
  - Credibility with CIPS peers and colleagues
  - Highest ethical standards; sets an example
- b) Request a copy of the [2007 Brian Farrington Ltd Cutting Edge Training Directory](#)

If there are any questions you have, or something you'd like *Think Procurement* to cover, let us know.

Thank you to those who have said they enjoy our eBulletins.

Until next month,

Stephen Ashcroft  
**Brian Farrington Ltd**

**PS** Don't forget - if you have a friend or colleague who you think would like to hear from us, please forward their address. They'll get a polite invitation - which they can decline - and we never share our email list.

***Helping procurement and related professionals manage third party expenditure and mitigate risk.***

Brian Farrington Ltd  
Rainford Hall  
Crank  
St Helens  
WA117RP  
T 01744 20698  
F 01744 27897  
E [ThinkProcurement@brianfarrington.com](mailto:ThinkProcurement@brianfarrington.com)  
URL [www.brianfarrington.com](http://www.brianfarrington.com)

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**Subscribers' contributions, comments, queries, questions and input to *Think Procurement* are all very welcome!**

Please email [ThinkProcurement@brianfarrington.com](mailto:ThinkProcurement@brianfarrington.com)

**Note: Nothing will be published without your clear and written permission.**

**PAST ISSUES.**

<http://www.brianfarrington.co.uk/news.htm>

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Brian Farrington Ltd  
Rainford Hall  
Crank  
St Helens  
WA11 7RP  
T 01744 20698  
F 01744 27897  
E [ThinkProcurement@brianfarrington.com](mailto:ThinkProcurement@brianfarrington.com)  
URL [www.brianfarrington.com](http://www.brianfarrington.com)

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