



## Brian Farrington Limited Procurement and Business Solutions People

*March 2004 Newsletter*

### [The need for supplier appraisal \(2\)](#)

Last month we highlighted a company who were sued for millions, after a 'bug' had infected pallets carrying their product. In that case a rigorous form of supplier appraisal was introduced, but what would you consider to be appropriate as part of a rigorous supplier appraisal process?

What about accreditation to ISO 9000 as acceptable proof that a supplier operates to approved standards? They must be good enough? Or is this just a paper work check and not a detailed audit of exactly what an organisation is doing? This bears some thought. Those of you who have experience of an accreditation process will have formed a view as to how precise it was in terms of checking what you really do.

Take the example of the company supplying infected pallets. Even if they had been accredited with ISO 9000, what would that have proved? Their procedures would have said that they build and check their pallets against each customer's specification. The ISO auditor may not have actually viewed the physical process and seen if each customer's specification is exactly followed. Supplier

appraisal is much more than just quality accreditation.

### [On a lighter note.](#)

One of our consultants is on a short-term, full-time assignment away in Central London. What an excellent negotiator (and light sleeper) he is. So how much is a 'wake-up call' from one of the capital's competitively priced hotels? £47.50! Each! In fairness to them, this is the amount he negotiated as a refund for each wake-up call ordered but not provided. This must be a record – unless you know better?

### [DeBeers Group and Brian Farrington Ltd](#)

We have recently completed major contract negotiations for the De Beers Group. They are the largest diamond mining company in the world, producing over 40 per cent of the world's gem diamonds by value from its own mines in South Africa and, in partnership with the governments of Botswana, Namibia and Tanzania.

De Beers Group were considering embarking on a business transformation project for its support services, enabled by an integrated Business Solution and requiring specialist advice on preparation of a contract and assisting the negotiations that took place in Johannesburg. This assignment continues a relationship

extending over a decade between the two organisations.

Mr Jan Engelbrecht of DeBeers, who headed the procurement process said, *"We are happy with the working relationship that has developed, on this and previous assignments, between the De Beers Group and Brian Farrington Ltd. As a company we seek partnerships with service providers where the reputation of both parties is of paramount importance and where the quality of the work we produce is of lasting value"*.

### [Course: Excellence in Procurement.](#)

Our next open courses have received a positive response with a limited number of places still available. "Excellence in Procurement" is to be presented on 24<sup>th</sup> March 2004 at the Preston Novotel and again on 21<sup>st</sup> April 2004 at Birmingham Airport Novotel. We look forward to an informative and stimulating event and we hope to see you there. Interested? Please contact Pat Robinson on 01744 20698

[probinson@brianfarrington.com](mailto:probinson@brianfarrington.com)

Or visit our website to review the pdf brochure.

Contact: If you, or a colleague/contact would like to receive the newsletter by email please contact [e.hartley@brianfarrington.com](mailto:e.hartley@brianfarrington.com)

The newsletter will also be posted on our website on the first Monday of every month.

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### [From our American Correspondent](#)

Two of BFL's consultants, Ray Gambell and Ken Morris have just returned from a successful assignment in the U.S.A., which was carried out in an environment that included some unusual challenges.

Our client operates in the utilities sector generating electricity from coal fired & hydroelectric power stations. A year ago they commissioned an initial skills-gap report of their Procurement function which was produced by Ray on location in the U.S.A. In addition to profiling the organisation it included a detailed recommendation of individual training needs.

The report was created using "The Metrics of Excellence" methodology developed by BFL, that employs a structured interview technique to establish the knowledge and application of 120 key performance criteria in Procurement. The "Metrics" are continuously refined through working with clients, many of whom are "best in class". The results are quantified and supported by evidence, where necessary, and the output positions the organisation somewhere between "Unaware" and "World Class" in each of the key parameters.

As a testimony to the success of the first assignment, BFL were invited to benchmark progress over the past 12 months and to make further recommendations. However unlike 2003, when all the work was done entirely in the smart surroundings of corporate offices in the heart of big city, down-town America, on this occasion the interviews were also conducted with buyers located in the power plants. These plants are found in some of the most remote, rugged and spectacular parts of the country. With all

travelling measured in 100's of miles, no local Airports and temperatures well below freezing most of the time, Ray and Ken found their ingenuity tested to the full.

However, they survived these rigours and in passing encountered the full, and unusual range of procurement tasks that are presented to the buyers of this utility company. For example, they are currently engaged in the construction of a new power plant costing \$100M+ to build and which will take more than a year to complete. A major portion of this cost and commercial risk will be the construction work and the purchase of capital plant from a network of specialist suppliers, including significant imports. Obviously, success or failure of the whole project will be heavily influenced by the Procurement team's contribution to good sourcing decisions and the quality of the contracts they negotiate.

By contrast, a lower value but important requirement for this company's buyers is to negotiate the construction and repair of salmon ladders! A salmon ladder is an artificial structure in the form of steps up a channel at the side of a man made barrier (dam or sluice) that enables the fish to bypass the obstacle and reach its spawning grounds. The direct commercial benefit here is less obvious, but the U.S. Government Wildlife agencies and many vocal & influential environmental groups monitor the prompt and effective installation or repair of these facilities.

The life of a BFL consultant is truly fascinating.

### [A New Approach to Procurement Risk Exposure Modelling.](#)

The debate on how to manage procurement risk is a hard one to avoid, particularly with the recent high profiles of corporate failures to expose and manage

risk. BFL is presenting research findings on risk exposure to a number of leading procurement and business professionals in March. Further events will be taking place – please contact us for details. This novel approach invites leading figures to consider the use and applicability of the Procurement Risk Exposure Model (PRE-Model) in their business environment.

'The basis of our logic' says Dr Brian Farrington, MD of BFL 'is: There is a risk management process in most organisations. Typically, there isn't a comprehensive inclusion of all procurement risks although there may be a focus on one-off projects, such as construction and IT. There is an increasing need for a corporate procurement risk register, categorising the nature of the risk and the mitigation strategies'.

Findings and conclusions from the March event (and to arrange participation at forthcoming events) will be available from Liz Hartley, contact details overleaf.

### [CIPS Construction North West Group](#)

Stephen Ashcroft, BFL Business Consultant will be making a presentation on Commercial Negotiation Skills at an evening event for CIPS Construction North West Group on 10<sup>th</sup> March 2004 at The Lymm Hotel, Cheshire. The presentation objective is to explore the 'how to persuade' of negotiation rather than the 'what issues to negotiate.'

We welcome sharing best practice with professional and educational groups. A number of our consultants and Directors deliver presentations across a range of procurement and business issues. You may consider we can add value and stimulate debate at an event or meeting arranged for your group. We look forward to hearing from you.