



Brian Farrington Limited Procurement and Supply Chain Specialists

October 2005 Newsletter

Vendor Due Diligence

Regular readers will know that we return to subjects from time to time. It is always occasioned by events with one of our clients that we genuinely believe has learning for others. A good way into this is the public sector approach to Pre-Qualification through a questionnaire. The design of questions is vital to the process. This is a skill that should lie within the procurement function, aided of course, by technical, financial, quality and other specialists. This isn't a process simply to tick a box to confirm that information has been obtained.

The press have recently reported a situation in a Local Authority where allegedly a member of staff supplied by an agency has fraudulently diverted over £1m in payments to his fictitious company. If true it begs a few questions. Who checked out the agency's interview notes of their applicant? We know of agencies who do not conduct an interview and send potential clients the 'next six CVs'. Equally who took up any references? Also, who approved the setting up of another supplier for payment? Were the financial systems so lax that new accounts and payments of alleged amounts of £100,000 a time could be paid?

Of course, we are aware of all the objections to due diligence, including 'we haven't got time to go to such lengths.' Yes, it does need a resource and it needs it on a continuing basis. If the resource isn't provided the risk is very high that trials and tribulations are inevitable. Do we have a solution? Yes. We can design pre-qualification questionnaires and we do use the services of a respected, retired police officer with special expertise in conducting appropriate background checks of companies and individuals.

Purchasing and Supply Chain Management Textbook

We are delighted to report that the new book written by Ken

Lysons and our Managing Director Brian Farrington has achieved exceptional sales in its

first months. The publishers report that circa 900 copies have been distributed already.

There are excellent case studies and a tutors guide available, together with OHPs for tutors and trainers. We are very pleased to report that we are offering in-house courses based upon the book and personalised self study distance learning. If this is of interest please contact Stephen Ashcroft who would be pleased to discuss this with you. This may also be of interest to those studying for any CIPS examinations. The book is available from all leading bookshops, online and from the CIPS bookshop.

Working with IT professionals

We have just completed negotiations for an IT system on behalf of one of our clients. The assignment has required us to work very closely with the IT team. It has been an excellent relationship using the respective talents of commercial and technical people. We are sure that the potential suppliers have found the negotiations a revelation. The fact that cost models, contractual terms and conditions, statement of requirements, mobilisation plans and programmes have been robustly challenged came as an obvious surprise. Eventually, of course, the lawyers got involved. Other than the occasional blip these negotiations went very well. The return on our fees was in excess of 100% in terms of cost savings, as well as big reductions in risk.

Expert Witnesses

We have been researching this subject for very practical and confidential reasons. The definition of an expert is a person with specialised knowledge, skill, experience, training, or education which qualifies that person to form helpful opinions for a party in anticipation for litigation or preparation for trial. That led us to fully researching the topic of discovery. Basically, that means that each side is entitled to obtain the other's complete documentation. So, please let us make some general points

that all purchasing departments should think about. A lawyer stated that we all have the tendency today to send a quick e mail, or maybe a 'memo' instead of picking up the telephone and calling, to discuss a point or make a statement or reveal a doubt or weakness about a position, and leave written records for all the world to see. The rule in law is that if it's in writing it can be had!

If, for example, a report is not required, do not do one. If you do not do one it can't be discovered. Within this definition a report may be any written communication between the two parties in which someone expresses his or her opinions to be submitted in the case (although many things are written when there is no suggestion that a law suit may later emerge. Opinions are often expressed in electronic mail. For some strange reason we have the tendency to put things in electronic mail that we would never dream of putting in 'real' writing. Everything from bad jokes to scandalous commentary....everything. We simply act like it isn't real, as if it vanishes like the disappearing ink we used as children. Well, it doesn't vanish; it is available to the other side. In short, exert a discipline in everything you write and, we suggest, write a policy on this vital matter.

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Book launch event

As mentioned, Brian has co-authored the seventh edition of Purchasing and Supply Chain Management. We are delighted to welcome executives to join us on 24 November 2005 at Mere Golf and Country Club for the official book launch. Dr Farrington will briefly introduce the book and their will be an opportunity to discuss purchasing and supply chain matters with contemporaries in a relaxed informal environment.

Should you wish to join us for this morning event please contact Stephen. Attendees will be offered a complementary copy of the new book.