

**Brian Farrington Ltd
Management Consultants and Training Specialists**

Case Histories

Contents

Performance Improvement	Page
Cost Reduction Programmes	1
Utilisation of Working Capital	2
Contractual Risk Management	3
Purchase Research	4
Metrical Analysis in Key Performance Areas	5
Cost Analysis of Goods & Services	6
Systems Development	
Systems & Procedures	7
Writing Commercial Manuals	8
Tendering & Bid Analysis	9
Evaluation of Purchasing	10
Assessment of Supplier Capabilities	11
Project Support	
Project Management	12
Developing Negotiation Strategies	13
Claims Negotiation	14
Price Based Negotiation	15
Contractual Based Negotiations	16
Interim Management of Purchasing	17
Contract Management	18
Creating Supplier Partnerships	19
Global Purchasing Strategies	20
Fraud Investigation	21
I.T. Purchasing	22
Recruitment-Advertised & Executive Search	23
Capital Equipment Procurement	24
Dispute Resolution	25

Performance Improvement.

COST REDUCTION PROGRAMMES	
SUMMARY	<p>The need for cost reduction is a continuing business pressure. The specific focus may be upon a total project, a commodity, product, service or supplier. Purchasing is a key player but success will only happen when technical and related disciplines play an active part in the programme. There are quick lists which can be made as well as longer term lists requiring redesign or resourcing actions. These assignments are typically self funding and bottom line impact.</p>
CASE HISTORIES	<p>1. A defence, engineering based organisation.</p> <p>At a critical time in our client's tendering process we were asked to work with the purchasing team and technical specialists to identify ways in which cost could be reduced. A wide range of options were targeted for action, including design processes (at the supplier), procurement of raw material and Bought Out Finished items, cost of logistics, programme impact by rescheduling lead times and value engineering/shop floor activities. In this way purchasing became an integral element of the tendering process for the first time. Major cost reduction was achieved which helped to gain the contract award.</p>
	<p>2. A European ship repair organisation.</p> <p>This assignment was triggered by a merchant bank who were the major shareholder. The holding company was making huge losses and was losing work because of uncompetitive pricing and cost overruns on existing work. The initial work was done on a vessel where most of the large cost drivers were monopoly suppliers, such as, engines, radar, electronics, communications and specialised deck gear. Within a six week period the cost base was reduced by 6% by holding a series of negotiations with key suppliers. The group of shipyards have been successfully turned around.</p>
DURATION OF ASSIGNMENT	<p>The initial review can take circa 10-20 days but this depends on the complexity of the purchase(s). Each assignment is costed and fees are charged. We do not work on a percentage of savings because of ensuring the agreements stick. Short termism is not our strategy when working with clients on this important business dimension.</p>

UTILISATION OF WORKING CAPITAL	
SUMMARY	The purchasing operation in an organisation is in a key position to impact on working capital. This is a hidden benefit, which can be realised and can be derived from various approaches. The impact of positive action can have a major impact on the cash position of an organisation.
CASE HISTORIES	<p>1. Excessive stockholding in a multi-national engineering group.</p> <p>This study concentrated upon 24 manufacturing locations in the UK and Holland. Each company purchased steel for its own production. This was often to the same specification. We analysed the purchases and issued an enquiry to steel producers and stockholders who were known, through research, to have a suitable logistics network. There were complex negotiations which took place over a period of two months. These led to three year contracts being placed with two suppliers. A significant cost reduction was obtained but the most benefit was attributable to the improved use of working capital. Consignment stock equal to one month of average usage and payment 60 days thereafter were agreed in the contract.</p>
	<p>2. Payment profiles on high value capital projects.</p> <p>This assignment swept in capital 'projects' which included I.T. equipment and engineering capital equipment. In all cases either buyers, I.T. staff, engineers and Directors were agreeing payment schedules which had a significant up front payment (often 30%), milestone payments which bore no relationship to value of work done, and no retentions. This practice was giving suppliers positive cash flow. A new policy was introduced which put the brake on the drain on working capital. This work had an impact in £millions on the outflow of cash.</p>
DURATION OF ASSIGNMENT	An analysis of the use and abuse of working capital usually takes 8-15 days. At that stage the practices can be quantified and an agreed action plan put into place.

CONTRACTUAL RISK MANAGEMENT	
SUMMARY	Our usual focus is upon the contractual risk which relates to purchases. Whilst many organisations have a risk management policy, a weakness and potentially devastating consequences exist in contracts formed between buyer and seller. The risks are often not known by audit operations and, in consequence, not signalled to the Board of Directors. Typically, there is a knowledge shortfall in commercial and technical areas of an organisation.
CASE HISTORIES	<p>1. A U.K. Government Department.</p> <p>This assignment arose when it was realised internally that a very superficial approach was taken to manage contractual risk. It was prompted by a potential claim from a contractor at the end of a major works contract. Our analysis took place over a period of three months, identifying in excess of 400 contracts which needed urgent review and, in some cases, renegotiation. Standard Conditions of Contract were written by us for major expenditure areas including Goods, Services and facets of communications. The whole purchasing team were trained in contract law and how to negotiate tough contract clauses in such areas as liabilities, obligations, cost, termination, etc. A risk management process is now in place and operating satisfactorily.</p>
	<p>2. A U.K. Nuclear Engineering Organisation.</p> <p>The technical, safety, design, manufacturing, installation and product support requirements of a major multi-million £ project were the subject of our study. The 'head contract' with our client's customer was evaluated and compared with flow down requirements to the supplier base. Significant risk existed and we were commissioned to write the contract to be used with major suppliers. This document has circa 100 pages of detailed contractual clauses. It has been successfully negotiated and implemented with the majority of suppliers. It has been necessary to agree the detail with technical, commercial and legal advisers within the organisation.</p>
DURATION OF ASSIGNMENT	A highly focused assignment, using exception sampling can provide meaningful analysis in about 15-20 days. The activity can be related to a 'product' specific analysis, a supplier specific analysis or a wide ranging analysis incorporating all categories.

PURCHASE RESEARCH	
SUMMARY	The majority of purchasing departments do not have either the resource or the ability to undertake complex purchase research studies. The lack of economic, supplier or supply market knowledge is unacceptable business practice.
CASE HISTORIES	<p>1. World wide study for engineered sintered products.</p> <p>This piece of research, partly funded by an automotive manufacturer, led to our Managing Director being awarded an M.Sc Research Degree. This award is a testimony to the methodology used and the analysis, interpretation of the data. A world wide survey revealed over 200 suppliers of complex sintered products. The results were then tested against the knowledge of specialist buyers. Even the best were shown to only be aware of 10% of the available supply. One company resourced its items overseas and saved over £1 million.</p>
	<p>2. Supplies of specialised design/research facilities.</p> <p>This study was undertaken for a highly specialised engineering company involved in the shipping industry. Part of their work required design/research facilities which were capable of supporting innovative developments, including work associated with sensitive developments for defence contracts. The study showed that an in-house resource, hitherto used, was woefully inadequate for the task. A contract was agreed with external resources, partly using academic facilities.</p>
DURATION OF ASSIGNMENT	Assignments can be completed in 1 day for a simple, single commodity but, obviously, far more time, up to 20 days may be required for more involved research studies.

METRICAL ANALYSIS IN KEY PERFORMANCE AREAS	
SUMMARY	We have developed 120 metrics which are analysed against world class standards. The output is used to develop an action plan to bring individuals and the procurement function to enhanced levels.
CASE HISTORIES	<p>1. A public sector utilities organisation.</p> <p>This assignment was prompted by the merger of two large organisations in the electricity generation and supply market. Our outputs were primarily used for staff development and restructuring of procurement. The work was undertaken for the Purchasing Executive who directly reports to the Managing Director of the organisation. We developed as integrated personnel development programme and were put forward for a National training award.</p>
2.	<p>A South African Bank, Insurance and Building Society Organisation.</p> <p>This assignment involved work in locations in Johannesburg, Cape Town and Durban. The staff were involved in procurement of facilities management, premises refurbishment, capital projects, equipment, security, catering and other major expenditure areas. A report was submitted to the Purchasing Executive and Board of Directors. This led to an action plan to change the strategies and policies for the whole of procurement. This excluded Information Technology and proves that we don't win them all!</p>
DURATION OF ASSIGNMENT	The analysis is focused on individuals in the total supply chain. The interview takes 4 hours per person and a report can be issued in 5 working days after completion of the interviews.

COST ANALYSIS OF GOODS AND SERVICES	
SUMMARY	In many situations the buyer of goods and services lacks detailed knowledge of the cost drivers. In consequence purchase prices are too high and this makes the buyer's organisation uncompetitive in their market.
CASE HISTORIES	<p>1. An automotive manufacturer.</p> <p>The volume purchases are opportunities for major cost investigation. In this situation it was suspected that costings were too expensive despite numerous efforts, largely through Value Analysis techniques, to lower them. A joint study was set up with the supplier and every aspect of cost was studied, including, material infeeds, energy melt costs, reworked scrap, overheads, wages, plant investment depreciation, etc. The supplier was permitted to keep a percentage of the benefits in recognition of their change in approach and the preparedness to be more open. The cost reduction exceeded £100,000, and the benefit continued across other models in the range.</p>
2.	<p>A Government Ministry.</p> <p>This situation required cost analysis of the provision of secretarial services amounting to £millions a year. At no time had the supplier's charges been scrutinised. The cost drivers were related to hourly/weekly/monthly charges which included labour rates, National Insurance, sickness claims, pensions, overheads and profit. It also included a study of the supplier's recruitment costs, staff training, relocation and legal costs, transport, head office charges, etc. The precise savings cannot be released but exceeded £750,000 in a year. No reduction in service levels was suffered as a consequence of these actions.</p>
DURATION OF ASSIGNMENT	In the second of these cases 20 days were involved. Clearly the effort will vary from case to case.

Systems & Procedures.

SYSTEMS AND PROCEDURES	
SUMMARY	The failure to deliver benefits to a business through smarter purchasing often can be attributed to inadequate systems and procedures. The analysis of these and their reengineering is the specific nature of this consultancy activity.
CASE HISTORIES	<p>1. Systems and procedures to control building maintenance expenditure.</p> <p>This assignment was undertaken for an off-shore service organisation. At the outset there was no purchasing involvement but there was total devolved accountability to over 50 locations. No policies, systems or corporate procedures existed. A complete review was undertaken which showed that payments were made for buildings that did not exist, highly suspect practices existed with local providers, no effective contractual base existed and the benefits of Corporate expenditure were being missed. With considerable resistance, new systems and procedures were introduced and later subjected to internal audit routines. There is now appropriate control, with an element of devolved authority, and common procedures.</p>
2.	<p>Systems and procedures to control scrap disposal.</p> <p>This assignment was stimulated by a situation known to many. Malpractice, no segregation of high value scrap, illicit payments of cash, loss of value added work to the scrap bins, etc. A full review of this organisation's systems and procedures was made. This showed an absence of shop floor control of scrap, inadequate segregation, no knowledge of market prices, reliance on the scrap merchant's weighing information, cash payments and as defined accountability. The latter was moved to purchasing with great impact and financial benefits.</p>
DURATION OF ASSIGNMENT	The review of a site contained purchasing system and associated procedures actually takes 10 days to map. The agreement to, and preparation of, revised systems and procedures can be circa 30 days. The benefits are typically in smarter working, improved data and more high impact controls and decisions.

WRITING COMMERCIAL MANUALS	
SUMMARY	These are not procedural manuals. They are commercial manuals which set out, through checklists and analysis the key points which must be considered by technical and commercial staff in large organisations.
CASE HISTORIES	<p>1. A railway transportation organisation.</p> <p>The need for a commercial manual arose after a major safety incident revealed that no uniform approach was in use across a complex organisation. We conducted research in such areas as signalling, safety, environmental, major projects, quality management, contractual risk, financial management and claims. The manual was written to Schedule, signed off by the Board of Directors, and rolled out to over 1000 technical and commercial staff. The use and application of checklists became mandatory throughout this organisation.</p>
	<p>2. An offshore financial institution.</p> <p>This financial institution consisted of banks and a building society. A corporate procurement activity was introduced and uniform standards were required across the organisations. In excess of 500 sites were involved. The research was conducted, including detailed discussions with internal audit, legal services, marketing, security, premises management, security printing and corporate banking services. The manual was written and printed. Thereafter a series of briefing sessions were held to brief staff about the structure, content and use of the manual. The manual was very well received.</p>
DURATION OF ASSIGNMENT	We require 25-30 days to research, write and present a typical commercial manual of some 140 pages.

TENDERING AND BID ANALYSIS	
SUMMARY	The preparation of complex invitations to tender (or the more commercial quotation) and subsequent bid analysis can often be a task requiring short term resources beyond that available. We accept these short term notes.
CASE HISTORIES	<p>1. High value engineering project.</p> <p>This brief case history concerns the bid analysis of work for design, manufacture, install and commission of equipment. Bids were received from UK, German and USA companies. There was a high degree of technical and contractual non-compliance which required sophisticated risk analysis assessment. A highly focused bid evaluation criteria methodology was developed, using appropriate weightings. An integrated technical/commercial team was used to make the sourcing recommendation, after appropriate negotiation actions.</p>
	<p>2. A Facilities Management project.</p> <p>Our work consisted of advice in the preparation of an invitation to tender for cleaning services associated with a change in procurement strategy. An ITT was prepared with contractual terms and conditions, Statement of Work (SOW), pricing and cost schedules, staffing and supervision requirements, security implications and provision of consumables. The contract value was in excess of £5m and contract duration 5 years (with extension provisions). The model was used in other parts of the business.</p>
DURATION OF ASSIGNMENT	Varies according to the complexity of the task, but typically 5-30 days would be required for a task involving preparation of a bid document and the subsequent analysis.

EVALUATION OF PURCHASING	
SUMMARY	<p>The Board of Directors need to be assured that their Purchasing operation is performing at world class level. Any shortfall will impact on the bottom line and operational effectiveness. To effectively evaluate performance requires an exacting approach which, independently, answers all the relevant questions. We use metrics of excellence which have been developed and honed over many years.</p>
CASE HISTORIES	<p>1. An international aerospace organisation.</p> <p>This assignment took place in an aerospace organisation who manufactured safety critical items and who were a major service provider to international airlines. The evaluation involved their businesses in Europe, Canada and the USA. We reviewed all expenditure on raw materials, machined components and Bought Out Finished items. Additionally we examined long term contracts and how contractual risk was being managed. The outputs of this assignment was the development of an international purchasing strategy, dramatic resourcing of major raw materials (aluminium forgings for example) and the launch of a training programme in key knowledge and skills. We reported, in this instance, to the Corporate Board of Directors.</p>
	<p>2. A South African financial institution (banking and insurance).</p> <p>Our role here was to assist the newly appointed Group Purchasing Executive in evaluating all major categories of expenditure. These included building services, print, marketing, Information Technology, refurbishment, corporate travel and furniture. The analysis involved over 200 locations, including Cape Town, Durban, Johannesburg and other major cities. This assignment has now been in place for five years where our inputs are now ad-hoc. A Corporate Purchasing Operation is thriving, alongside devolved purchasing authority.</p>
DURATION OF ASSIGNMENT	<p>In a small organisation an assignment can be completed in 10-20 days. The larger organisations will depend on complexity, organisational structure, range of purchases, ability to segment expenditure, etc.</p>

ASSESSMENT OF SUPPLIER CAPABILITIES	
SUMMARY	This activity is often undertaken prior to contract award, but it can also be needed when a contract is in place. There are many instances where a supplier has never been subjected to an effective assessment visit.
CASE HISTORIES	<p>1. A multi-national plastic feedstock supplier.</p> <p>This supplier assessment was undertaken for a well known brand leader in the retail sector. Despite many years of trading they had never conducted an in-depth analysis of the supplier's finances, manufacturing capabilities, supply chain, distribution network, research and development activity, quality regimes, etc. Our report helped to strengthen the relationship and stimulated a number of initiatives including supplier involvement in our clients capital investment programme, rationalisation of products being supplied and improvements in the world wide distribution of products.</p>
2.	<p>An aluminium fabricator, sheet and sections.</p> <p>This assignment is a sad story! The fabricator had been awarded an increasingly higher value of work and of greater technical complexity. A long term contract was being considered when our assessment was made. The outcome was identification of an underfunded supplier, with manpower shortages, lack of management systems and controls, high inventory, poor communications and poor industrial relations. This was not the basis for long term contracting and appropriate actions ensued. These assignments and their output have great relevance to purchasing and business planning functions.</p>
DURATION OF ASSIGNMENT	For a single site supplier the task can usually be accomplished in four working days. This includes the pre-visit research, visit and report writing.

Project Support.

PROJECT MANAGEMENT	
SUMMARY	Our intended role is not to assume total control of a project but to provide expert support at key phases. The greatest contributions can be made at the early planning stages, expediting and dispute resolution.
CASE HISTORIES	<p>1. A major engineering investment in Canada.</p> <p>Our support to this project was specifically in the area of procurement. A complex range of electro-mechanical and instrumentation packages were involved from over 30 vendors, each directly on the critical path. We did the sourcing, negotiations, contract placement and expediting. Later we were involved in the logistics to the port of shipment, taking account of the deadline for winter shipments. All dates and cost parameters were met.</p>
	<p>2. A Utilities organisation.</p> <p>This project concerned a long term contract with significant investment. It required capital equipment, purchase of goods and services, a third part contract management organisation. Important deadlines with the regulator were involved as well as the potential for payments to customers for a poor supply of the utility. Our involvement went through the whole critical path of design, planning, procurement, site management, financial planning, statutory approvals, etc. There was a significant amount of contractual work and the development of Service Level Agreements.</p>
DURATION OF ASSIGNMENT	Typically, our involvement would be 20-40 days duration, depending on the nature, complexity and location of a project.

DEVELOPING NEGOTIATION STRATEGIES	
SUMMARY	Our input to a client's process would usually be related to exceptional, high value purchases, such as information technology, engineering projects, outsourcing, long term product support and partnering agreements.
CASE HISTORIES	<p>1. Partnering agreement with a design house.</p> <p>This assignment required, in the first instance, a partnering agreement to be written by us and agreed with in-house legal advisors. Having done so, negotiation strategies were developed and rolled out to the design house. A series of negotiation over 8 weeks led to the successful implementation of the agreement. Throughout our process both Boards of Directors were advised of progress and obstacles. Key features agreed were open book, jointly located design teams, intellectual property rights, audit, cost and project management.</p>
	<p>2. Supply of \$million forgings for aerospace business.</p> <p>This purchase involved high value \$million supply of aluminium forgings. The vendor had to be capable of sustaining supply for military and civil programmes in Europe, Canada and USA. The technical specifications were very exacting as were the contractual requirements. A negotiation strategy was developed, rehearsed, conducted and finally debriefed. A long term supply agreement was negotiated taking account of supply chain costs, currency, technology development, inventory, joint research and development, liabilities, back-to-back contracting and management of risk.</p>
DURATION OF ASSIGNMENT	Usually 10 days is the minimum period of support but for a sophisticated client the time can be shorter.

CLAIMS NEGOTIATION	
SUMMARY	Contractors and suppliers are capable of submitting claims to their clients at the end of contracts. These claims can, in monetary terms, exceed the contract price. Some contractors, frankly, see this as a way of life and believe there is a system to be milked. The negotiation of these claims requires contractual, financial and high level negotiation skills to successfully eradicate or reduce the claim.
CASE HISTORIES	<p>1. A UK Government Department.</p> <p>This claim was made by a contractor in the Facilities Management area of business. Our client had attempted to negotiate the claim that they had placed upon the Contractor. Months of effort and frustration led to a marginal settlement offer being made. Our involvement stimulated a technical, financial and contractual review and, at our initiative, the active support of legal advisors. Two high level negotiations took place over a period of some eight weeks. The outcome was highly successful for our client who recovered all the claims made. The negotiations were very positive and the relationship between our client and the contractor has been preserved in an excellent manner. Adversity does not have to wreck relationships.</p>
	<p>2. An international airline.</p> <p>This situation concerned a series of claims made in connection with an engineering contract. The contractor was clearing monies for specification changes, delays, and additional product support. The impact of these claims impinged upon bonds, guarantees, payment of damages, price and long term product support. We reviewed the contract files, analysing data in the original tenders, all correspondence including site meeting minutes. The establishment of the audit trail and subsequent negotiations were instrumental in helping our client fend off the majority of the claims.</p>
DURATION OF ASSIGNMENT	This will depend on the nature and complexity of the claim. We would usually require 5-10 days to assess the claim and review the background. The negotiations cannot be scaled for time. We are prepared to have a no success-no fee payment arrangement with our client.

PRICE BASED NEGOTIATION	
SUMMARY	We have extensive experience in price based negotiations. These are often stimulated by a client's cost reduction programme but can also emerge when a new product needs a competitive edge in the home or international market.
CASE HISTORIES	<p>1. Purchase of an integrated Information Technology System.</p> <p>This assignment related to a client's purchase of an integrated IT system. This had a number of cost drivers including software development, hardware purchase, training, implementation, commissioning and maintenance. After an initial stance from the supplier of non-disclosure of cost a fully itemised cost disclosure was made. The purchase price, as quoted, was reduced by over 20% whilst preserving the programme dates and contractual requirements. In this instance there were also extensive in-house negotiations to ensure IT, purchasing and legal services were of one mind in the negotiations.</p>
	<p>2. Purchase of steel for a multi-national organisation.</p> <p>In this instance our client purchased steel on a devolved basis at over 30 locations. No strategy was in place to ensure the price and cost were effectively managed. Our negotiations were preceded by extensive purchase research. This led to negotiations with two vendors, each capable of maintaining long term supply. One was a manufacturer, the other a stockholder. The negotiations extended over a three month period, largely associated with price. The functions of price which were dealt with included manufacturing cost drivers, distribution and stockholding costs, payment, support for our client with international tenders, financing and technical support. An annual saving of 25% was achieved.</p>
DURATION OF ASSIGNMENT	Some assignments have been completed in 5 days. Others of a more complex nature have been up to 30 days in duration.

CONTRACTUAL BASED NEGOTIATIONS	
SUMMARY	Our expertise lies in the preparation of contractual detail and its subsequent negotiation with suppliers. We have done this in various legal jurisdictions and in vastly different cultures.
CASE HISTORIES	<p>1. Major Building and Civil Engineering Contracts.</p> <p>This is often the domain of standard forms of contract, such as JCT and FIDIC. We have represented a number of clients in the negotiation of contractual detail. The needs vary but typically these are issues with obligations, damages (or penalties depending on the country concerned), charge procedures, handling of claims, jurisdiction, programme slippage, mobilisation/demobilisation, force majeure. The essence of these negotiations is the organisation of risk and the attendant cost.</p>
2.	<p>Engineering support services for a Gold Mine.</p> <p>This task, in South Africa, involved a major negotiation of a contract for the supply of specialised equipment from a Japanese company. The contractual negotiations were spearheaded by our client, with us in support. Significant difficulties were experienced with bonds, guarantees, product serviceability, cost of spares, local agent capability, intellectual property rights and interfaces on safety. We provided coaching to our client throughout the process. The negotiations were completed on time and all the programme requirements in total were achieved.</p>
DURATION OF ASSIGNMENT	Some assignments have been completed in 5 days. Others of a more complex nature have been up to 30 days in duration.

INTERIM MANAGEMENT OF PURCHASING	
SUMMARY	The need for interim management can arise for many reasons, including, long term capacity, extended management development, resignations, newly created positions, etc. We can inject relevant expertise to fulfil the management role whilst ensuring that operational performance requirements are met.
CASE HISTORIES	<p>1. A well known f.m.c.g. food manufacturer and retailer.</p> <p>The need for this arose due to the unexpected resignation of a senior manager. This coincided with a major retail refurbishment programme and new product launches. To further complicate matters a business integrated I.T. system was being evaluated, including point of sale capabilities. We provided five months of support and during this time introduced new performance measures, enhanced the working relationships with, specifically, marketing and new product development. A significant cost savings programme was launched which provided a return of 10:1 on fees. A successful handover was made to the new purchasing executive.</p>
2.	<p>An international pharmaceutical research and manufacturing business.</p> <p>This situation arose due to a restructuring of the international business. The senior manager was given new responsibilities. Our role was to manage, motivate and re-engineer the purchasing department, concentrating upon purchasing for research laboratories, capital equipment, packaging, feedstock and motor vehicles. The consignment continued for six months during which demonstrable improvements were made in all designated areas. Our client then recruited a Purchasing Manager who then assumed responsibility for taking the initiatives forward.</p>
DURATION OF ASSIGNMENT	Always by agreement. Typically a minimum period of one month is required but as the case histories show it can be longer.

CONTRACT MANAGEMENT	
SUMMARY	The term contract management is used here in the context of a supplier's performance of the contract awarded to them. The complexity of the contract will vary and our involvement would typically be for contracts in excess of £1 million.
CASE HISTORIES	<p>1. An engineering project (power station equipment).</p> <p>In this instance a major project in China required equipment from a number of suppliers. The assignment required obtaining detailed design and manufacturing plans from key suppliers. An effective contract management system then had to be implemented to give timely warning of potential problems. Vital shipping dates had to be met, otherwise milestones and payment schedules would have adversely affected our client and their credibility in the international market place.</p> <p>2. An information technology (maintenance) contract.</p> <p>At face value this should have been a simple contract to manage. It involved the maintenance of hardware and software. The supplier was deemed not to be performing but the actual detail was not known. Our work involved looking at error correction actions, provision of adequate resources, availability of parts and the downtime impact on our client's operations. Contract management processes were put in place and the supplier was proved to be in contract default. A sizeable sum of money was recovered for the failure to perform and through proper contract management future appropriate performance was obtained.</p>
DURATION OF ASSIGNMENT	This cannot be scaled. Our resources are linked to client need. In some cases a brief, short term input will suffice (3-5 days). In other instances we have expended 20-40 days in managing a supplier through various crises. Our regular reporting ensures the client remains in full control of our resource usage and its output.

CREATING SUPPLIER PARTNERSHIPS	
SUMMARY	Partnerships are a topical business issue. Many companies want them, either as a buyer or supplier. The detailed process of creating these relationships is not well understood. We provide the commercial, financial and contractual support to do so.
CASE HISTORIES	<p>1. A management consultancy partnership.</p> <p>The long term reliable business advice from a management consultancy organisation who understands the client's business is a valuable asset. The cementing of this into a long term partnership agreement which is output and performance based is a stepped change in this environment. The Agreement included a commitment to key personnel, performance outputs, payment, resource provision and other key factors. The process took some four months to finalise and demonstrated that whilst many have heard the expression 'partnerships' very few understand its implications. Nor do they know how to articulate and negotiate an agreement which delivers the benefits desired.</p>
	<p>2. A supplier of value added services.</p> <p>Many partnerships are in the service sector where, traditionally, the value added element has been ignored. The momentum of outsourcing has forced a number of organisations to reengineer relationships. The focus is now often upon open book declaration, performance measures, long term forecasting of resource requirements, joint funding of major developments, incentivisation for improvements, etc. In this assignment we guided our client through the complete process and were instrumental in 'educating' the service provider. Often, a partnership is a new way of life for both parties. A lack of trust, at the early stages of negotiation, is evident. High level negotiation skills are required.</p>
DURATION OF ASSIGNMENT	To adequately research, negotiate and finalise an Agreement takes circa 20 days of effort.

GLOBAL PURCHASING STRATEGIES	
SUMMARY	Large multi-national organisations operating in a number of countries, regularly do not have Group Purchasing Strategies. This problem will be worse when there is devolvement to Strategic Business Units.
CASE HISTORIES	<p>1. An aerospace company.</p> <p>This study took place in UK, USA and Canada, across all manufacturing locations and service support facilities. The company manufacturing a range of equipment for aircraft, including landing gear. Our study included a range of commodities, of which the highest value was in large, complex aluminium forgings. A Group Purchasing Strategy was formulated and implemented. Essentially it aggregated USA/Canadian requirements into one contract and Europe into another contract. There were a number of benefits gained including lower purchase prices, lower inventories, technical developments and design for manufacture.</p>
	<p>2. An international mining company.</p> <p>This assignment was related to Group Purchasing Strategies for a range of equipment used in gold mining. This included mining machines, timber/metal support props, miners accommodation, catering supplies, explosives, conveyor equipment, electrical supplies and company helicopters. The study included the procurement operation in Southern Africa and major mining locations in varied geographical locations. We supported detailed international sourcing actions in Europe, Japan, Africa and Scandinavia. Because of the excellent work done prior to our involvement, the strategies were not dramatically changed but major benefits were obtained through cost investigation and an attack on inventory.</p>
DURATION OF ASSIGNMENT	Each of the examples referred to above were completed within 30 days.

FRAUD INVESTIGATION	
SUMMARY	It is a fact of life that various individuals are tempted into fraudulent activity when making purchases. The lack of adequate controls and a failure to audit the process gives the opportunity to those who wish to take advantage. The problem can exist in any area of a business.
CASE HISTORIES	<p>1. An engineering company - Europe.</p> <p>This assignment was triggered by a new Chief Executive who suspected that fraudulent practice was taking place on major capital purchases. Various surveillance measures and audit routines were put in place. These revealed excessive hospitality, acceptance of bribes from a European supplier. They had received contracts without adequate tendering practices and technical evaluations. The fraud was perpetrated by engineers and buyers working in a closed loop situation. Many subsequent changes took place including introduction of suitable purchasing policies and procedures.</p>
2.	<p>A scientific company - Europe.</p> <p>This investigation took place when a purchasing review conducted by us revealed problems surrounding the disposal of vehicles (over 1000 per annum). The transport manager had a 'private' arrangement with a local garage who did not pay the market price for used vehicles. Observations were made on actual disposals and prices paid against the marked up price on garage forecourts. The problem could be traced to a single person closed loop, lack of financial controls and no involvement of professional purchasing. The output of this study was further investigations working with the Head of Security of this organisation.</p>
DURATION OF ASSIGNMENT	This is totally unpredictable in its nature. An initial review of practices and observations/checks would typically require 10-20 days. The investigation phase entirely depends upon the scale and complexity of the potential fraud.

INFORMATION TECHNOLOGY PURCHASING	
SUMMARY	The purchasing of information technology is often left to I.T. specialists. They are usually untrained in commercial skills and through either intent or default exclude purchasing from the buying process. There is a huge role for purchasing at all phases of buying and maintaining I.T.
CASE HISTORIES	<p>1. A large financial institution.</p> <p>Our role here was to evaluate the supplier's contractual performance and pricing actions associated with the maintenance of I.T. hardware and software. The contract was in mid term which made negotiations particularly difficult bearing in mind that the supplier was a 'monopoly' supplier. Our detailed cost analysis proved dramatic overcharging. An investigation of contract performance showed that software faults were often unfixed after five months. We conducted negotiations and persuaded the supplier to reduce the price and to agree to a new contractual document which was written by us. The financial benefit to our client was over £100K in the first year.</p>
2.	<p>A purchase of an integrated business system - mining.</p> <p>In this instance our client was on the African Continent. They were investing \$2m on an integrated business system but did not have any experience of doing so. We guided them through the process including drafting ITT's and contractual terms and conditions. At the bid analysis stage we prepared the clarification questionnaire and identified the area requiring negotiation. At the client's request we led the negotiations, seeking to pass on our skills to the Senior Managers involved. The contract was placed at a figure well below the budget.</p>
DURATION OF ASSIGNMENT	A review of I.T. procurement can be completed, typically, in 10-15 days. Individual projects are quoted per event.

RECRUITMENT - ADVERTISED & EXECUTIVE SEARCH	
SUMMARY	Our expert knowledge of the purchasing market usually ensures we can help clients fill positions at senior levels. We are not interested in filling lower level positions, nor is this recruitment activity our core business.
CASE HISTORIES	<p>1. A nuclear submarine manufacturer.</p> <p>This assignment was one of the largest undertaken in our field. A new purchasing department was recruited and required in excess of 25 appointments. They included senior and middle management grades, buyers and purchase research staff. A massive advertising campaign was undertaken involving national and local press. Interviews were held nationally and the assignment was successfully completed. This was a complex situation requiring our expert knowledge of the client and the purchasing requirements of highly specialised purchases.</p>
	<p>2. A U.S.A. animal health organisation.</p> <p>This assignment arose directly from our strategic review of a European structure of a USA owned animal health organisation. We reported to the Corporate Operations Director. The position was Head of European Procurement, located in the UK. Applications were handled from Germany, France, Holland and the UK which is where the major research and manufacturing locations were sited. The assignment was completed entirely satisfactorily and we were then retained to recruit an Operations Executive for Europe. This was also completed without delay or problems. Executive search was adopted for the latter of these positions.</p>
DURATION OF ASSIGNMENT	We would go through a process which involves client briefing and research, draft advertisement, place advertisement, handle responses, interviews, short listing etc. Depending on the assignment a period of 6-12 weeks is usually required.

CAPITAL EQUIPMENT PROCUREMENT	
SUMMARY	The procurement of capital equipment is often a “one off” for companies. In consequence they need support with the contractual, financial, commercial and negotiation facets of the deal.
CASE HISTORIES	<p>1. Furniture industry.</p> <p>The project was the replacement of an old paint spraying booth system with state of the art equipment. There were legal, financial, environmental, safety and commercial features requiring detailed planning, negotiation and contract execution. The work was done in collaboration with the in-house project team. The value of the contract was circa £750,000.</p>
	<p>2. An international airline.</p> <p>This project was the procurement of specialised handling equipment with a value exceeding £5 million. The competition was international and the contract was awarded to a German contractor. The contract involved design, manufacture, supply, install and maintain through life. Our work was related to tender analysis, negotiation, contractual risk analysis and subsequent contract advice. Our task is to add value in the areas where the client requires professional support and enables them to stand on their own feet next time.</p>
DURATION OF ASSIGNMENT	This is utterly dependant upon the nature of the procurement. We prefer to be involved at the planning stage of the procurement and guide a client through to contract placement.

DISPUTE RESOLUTION	
SUMMARY	There are occasions when relationships totally break down between buyer and seller. Each resorts to pre-established positions and eventually stubbornness and/or price prevents a sensible resolution of the situation. Our third party intervention can unlock attitudes.
CASE HISTORIES	<p>1. An international retailer.</p> <p>This case revolved around an allegation of ‘copy action.’ This phrase covers many potential problems of intellectual property rights. A European manufacturer accused our client of patent infringement. If proved there were dire consequences including the payment of damages, destroying all current stock and repaying the total value of all sales. Our intervention led to a satisfactory resolution of the problem with all claims being withdrawn. Furthermore our client became a large buyer from the company who made the allegation. A very satisfactory outcome for all parties.</p>
	<p>2. An electronics manufacturer.</p> <p>In this situation there were hundreds of outstanding warranty claims made by our client against a manufacturer. All were in dispute because of our client’s lack of credible process to monitor dates in use, serial numbers, returns, etc. Equally, the manufacturer did not have a credible process either. Our intervention, and detailed discussions led to a new process, agreed by both parties, which adequately dealt with warranty claims. Of course, this solution was not in either parties mind when we began the assignment. Our skill in this case lay in establishing the <u>real</u> problem and exercising appropriate negotiation skills with both parties.</p>
DURATION OF ASSIGNMENT	In the first of the above cases, four days were involved. In the second, eight days. The time/cost benefit in these situations is typically highly beneficial.

Supporting the Strategy and Objectives of your Organisation.

Our company was formed in 1978 and since that time we have provided expert assistance to a wide range of international clients. We are a small company held in respect by our clients. You will realise that these clients have the choice of the World's consultants but have found our expertise relevant. Much of our work requires high level security clearance and the agreement to exacting confidentiality agreements. The work is underwritten by Professional Indemnity Insurance.

The case histories detailed above are an indication of our range in the broad area of purchasing and contracts. Whatever your needs we can provide a world class resource. Take a positive step to exceed the objectives of your organisation. Contact Stephen Ashcroft to discuss the added value of consultancy support specific to the challenges and needs of your business.

Your Contact:

Stephen Ashcroft
Business Consultant
Brian Farrington Ltd
Rainford Hall
Crank
St Helens
WA11 7RP
Tel 01744 20698
Fax 01744 27897
Email s.ashcroft@brianfarrington.com