

January 2007 Issue:

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We extend our best wishes for 2007 to all our clients, partners, suppliers and readers of the monthly bulletin. We sincerely hope that the year will meet all your aspirations whether they be family or business related.

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This Month's Hot-Links
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Get previous issues of *Think Procurement* on the web:

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

08 business opportunities

New trading pages to post supply or buying requirements on

<http://www.08businessconnect.com/businessopportunities.aspx>

Pendle Council Beacon status conference.

Download master classes on how to embed shared services successfully

http://www.pendle.gov.uk/site/scripts/documents_info.php?categoryID=543&documentID=531

CIPS Manchester & Construction North West Branch event on 23 January 2007.

The presentation will be on "the value of procurement to project management"

Details:

<http://www.cips.org/branchevents.asp?CatID=292&PageID=723>

Hawksmere IT and software procurement co-presented by Stephen Ashcroft on

20/21 February 2007. Details:

<http://www.hawksmereltd.co.uk/hawksmere/event.php?product=192&type=public>

1. New Year, new you!

Why not start 2007 by focussing on 'what's in it for me?' - What are you going to do to make the New Year a success? What is your Personal Development Plan? How are you going to develop your team?

We can help! Bite-size training events (one-hour briefings, half day, one day, two day, integrated programmes), best practice commissioning and procurement,

negotiation development skills, supplier relationship management, commercial awareness and all related areas of buying activity. We have worked with CIPS, CIPFA and RICS members through 2006 addressing a range of issues from handling the sales professional via risk management through to purchasing relationships. The feedback has been wholly positive.

Let us help you to 'sharpen the saw'. For details of our in-house courses please request our 'Cutting Edge' training and development directory. Fully revised and updated for the New Year - make it Your Year!

The need for procurement consultancy and training services comes in all shapes and sizes. Our flexible approach and broad, proven expertise is appreciated by our clients and contacts.

For 2007, we have a fantastic new proposition: we have always provided consultancy and training services, this year our solutions will be augmented by coaching services as well as giving access to interim support specialists and permanent recruitment of procurement executives - a full external procurement resource, unique in the market. An in-house presentation is available for you to evaluate how can be part of your 'tool box', please contact s.ashcroft@brianfarrington.com or call 01744 20698

2. The importance of contract management

There are many reasons why Contract Management is a vital process to the supplier and to the buyer. The following points may be considered relevant when 'selling' the concept of professional relationships post contract award to stakeholders involved in your procurement activities.

1. The relevance of minor and major projects on the operational effectiveness of the organisation.
2. The adverse impact that can emanate from 'failed' projects.
3. The demanding requirement for contract management knowledge and skills and a recognition that little training and development takes place in this area.
4. The inability of some purchasers/suppliers to manage their own affairs.
5. The requirement to manage technical, financial and commercial issues that arise during the contract management process.
6. The contractual implications and propensity for future claims from purchasers/suppliers.
7. The need to assist purchasers/suppliers to solve problems without relieving them of their contractual obligations.
8. The recognition that a failure to deal with contractual non-compliance can later be held to be acquiescence with the non-compliance and which may undermine the purchaser's / supplier's rights.
9. The necessity for meticulous documentation.
10. That contract management should be fully integrated into the operation of the supplier and purchaser.

Indicators of the degree of seriousness about contract management include:

- The purchaser does not seek, at the bid stage, a programme of work showing the resources to be used, key milestones and dependencies.
- The supplier has no credible programme of work.
- The purchaser does not appoint a Contract Manager at all, or very late in the process.

- The nominated supplier's Contract Manager is unskilled and was, simply, 'available'.
- The Contract Manager is not named as Key Personnel.
- Contract review meetings are not held or are infrequent.
- Minutes are not kept on contract review meetings.
- The communication protocol at contract management phase is not written down as a Schedule to the Contract.
- Answers to queries are very difficult to obtain.
- The supplier's board of directors do not seek regular contract performance reports.
- The contract does not provide for damages to be applied.

What aspects of contract management are you grappling with? Skills? Resources? Contact us for advice and support. Case studies are available for review.

3. Negotiation styles

Recently, a client posed this question regarding negotiation techniques and we thought you might like to hear our considered response. It would be interesting to learn your own views and/or experience on this matter, if you would care to share them with us, by e-mail.

"What are your views on different negotiation styles and when should they be used?"

Assuming you mean the extreme differences typified by the "Adversarial" style compared to the "Collaborative" style of negotiating, I would reply by saying that there is room for both, depending upon the circumstances in which you find yourself. Before attempting to reach any conclusion, however, let's look at the classic characteristics of the two techniques.

The "Adversarial style is highly competitive and focused on winning at the expense of the other party. Communication is often limited to the absolute minimum and in the context of the dialogue is, sometimes, deliberately misleading. There is very little trust between the negotiators and threats, bluffs and ultimatums are used to keep the other party on the defensive. In this climate of antipathy, neither party clearly understands, accepts or believes the real objectives of the other. There is certainly no concern or empathy displayed between the negotiators to the extent that the key attitude could be described as "We win, you lose" which will be seen as the only acceptable outcome. The alternative "You win, we lose" is unthinkable. This hostile and aggressive stance is often contagious in a team environment and different members of the team will sometimes go to great lengths to demonstrate their macho attitudes in order to impress their colleagues. In consequence it is not uncommon for negotiations to breakdown when an impasse occurs.

By contrast, the "Collaborative" negotiation style is conducted in an open atmosphere attempting to engender trust. This approach encourages, by means of creative problem solving, one or other of the parties can reach a satisfactory outcome – for both parties. As the participants are not adversarial in their stance they are more willing to share concerns, ideas and expectations. The goals and objectives of the participants are not mutually exclusive; they can be common with the other party. They will often be openly declared and in an atmosphere of trust that engenders flexibility, and which generates imaginative, creative and constructive resolution of differences. This constructive attitude removes the need for hidden agendas and posturing by team members. It is, in short, the very antithesis of the "Adversarial" style and even if an impasse is reached, the focus will be on how to reconcile

differences or circumvent the obstacle rather than to walk away. Intervention by higher management or use of an internal or external mediator or arbitrator may be an effective way to proceed.

It is difficult to sustain “Adversarial” negotiations over an extended period; particularly when there is any need for continuity or the parties expect to have an on-going commercial relationship. A one-off deal or a quick solution to a significant disagreement may justify taking such a position. However, although potentially more time consuming, the “Collaborative” strategy is likely to be advantageous. There will be more stability and the opportunity to benefit from long term relationships where both parties are working towards common goals in an atmosphere of trust and respect. None of us are smarter than all of us and the right supplier, making the right contribution to your business is preferable to expending energy on scoring points.

How you conduct your negotiations will have a major bearing on managing your third party resource in a positive and beneficial way. Share your thoughts with other readers via thinkprocurement@brianfarrington.com

4. Who is Brian Farrington Ltd?

Brian Farrington Ltd is an independent procurement and supply chain consultancy providing services to major public and private sector organisations. Established in 1978, we have proven expertise and experience in cost management, process improvement, strategic sourcing and change management. Brian Farrington Ltd solutions and services are formed through consultancy, training & development, coaching, interim resource and recruitment.

Brian Farrington Ltd's four core areas of procurement and supply chain capability are:

- strategic review and commercial governance
- performance delivery and transition
- major project support including lead negotiator roles
- learning & development in support of organisational aims.

Until next month,

Stephen Ashcroft
Brian Farrington Ltd

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

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