

November 2006 Issue:

- **Incentivising Suppliers**
- **Ethical and Professional Standards**
- **Risk Management**

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Word count for this issue: 1601

Approximate time to read: Just over 5 minutes

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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>

Pendle Borough Council conference and exhibition 22 November 2006 to celebrate achieving Beacon status. Dr Brian Farrington, Managing Director of Brian Farrington Ltd and Mr Bob Gogel, CEO of Liberata Plc are co-speaking on the subject of "Evolution of a public private partnership at a best practice Local Authority".

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

CIPS South Yorkshire Branch event in Sheffield 22 November 2006 - Contract Negotiation Skills A presentation, building on the research and publications of Brian Farrington Ltd covering:

- The process of negotiation
- The 6 techniques of persuasion
- Benefits and pitfalls of each technique
- An explanation of a model for making effective proposals for action

Details:

<http://www.cips.org/BranchEvents.asp?CatID=233&PageID=493>

CIPS regional event in Leeds 29 November 2006 – building and developing effective relationships Stephen Ashcroft, Business Consultant for Brian Farrington Ltd, will discuss the different levels of relationships dependant upon the product being core, important or essential to the business. Details:

<http://www.cips.org/Page.asp?CatID=32&PageID=945>

1. Incentivising Suppliers

The consideration of incentivisation is an emotive subject within the purchasing profession. There is a strongly held view that suppliers shouldn't be paid more than the contract sum for achieving the performance specified within the contract. At a superficial level this argument is thin. Take a look at the number of times the supplier takes a stance that they will only use their reasonable endeavours if they hit a

problem. Note they are reluctant to use their best endeavours, arguing that it can be a costly activity.

The exploration of how milestones will be achieved; how costs can be reduced over a long-term contract; how manufacturing times can be reduced; how staffing levels can be reduced and how supply chain costs can be cut, are activities that procurement specialists should engage in. Each of these areas, and there are many more, have their special considerations. For example, joint investment with a supplier can bring big efficiencies. The way in which the investment and savings are shared can be negotiated.

Many of these solutions are unlikely to be achieved without open book disclosure and the genuine creation of a trusting relationship. We have found that incentivisation is possible and that it can work, providing there is an open dialogue up front between the two parties.

2. Ethical and professional standards.

We periodically return to this subject. Usually when we are prompted to do so after the issue presents itself as a result of an 'incident'. In recent weeks we have encountered situations where the supplier has offered holiday vouchers related to the cost of orders placed; free places at horse racing events; free places at the opera; free places at sporting events; golfing places; free airline tickets to visit reference sites and many variations on a theme.

Let us slightly change the subject to that of conflict of interest. Occasionally we encounter clients who take a stand on this matter. It includes preventing buyers holding investments in suppliers with whom they are negotiating large value contracts; ensures adequate tendering processes; ensures specifications are written in such a way that competition is achieved; information about a suppliers R&D is kept in confidence; the avoidance of poaching of each others staff.

On this latter subject HM Government is missing a trick. They usually have a clause that prevents either HMG or the supplier poaching each others staff. They completely miss the fact that other contractors are poaching staff from competitors without the possibility of recrimination. We have the evidence!

Please forward your insights into best practice procurement to: news@brianfarrington.com

3. Risk management.

We are currently making available to existing and new clients our Procurement Risk Exposure Modelling methodology. This was developed some time ago and has been constantly refined and presented last month at a CIPS regional event in Manchester. It is an approach that has worked in many different environments. There are 13 specific areas of business/procurement related risk that are probed. Two examples will illustrate the approach. The first of these is '**Strategic Procurement Decision Risk**'. Within this definition there are 16 facets that are considered. These include, vendor strategic fit; quality of business case; investment strategy; novation rights; licences; partnering; outsourcing/insourcing and contracting flexibility.

The second of these is '**Vendor Risks**'. Within this definition there are 14 facets that are considered. These include, vulnerability to takeover, lack of financing, inadequate management, lack of control over their supply chain and lack of ICT systems.

If this approach to risk management is of interest please contact us for a information pack news@brianfarrington.com

4. Who are 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, PPP and EU tender performance management and change management. Brian Farrington Ltd solutions and services are formed through consultancy, training & development, interim resource and recruitment. Local government is an area of some recent accomplishment illustrated by the award of 2006 Beacon status for Pendle Borough Council in a PPP transforming key services, as mentioned in the hot links section. Brian Farrington Ltd was retained as lead negotiator and procurement adviser.

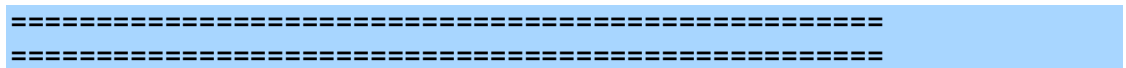
Capabilities

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. Brian Farrington Ltd supports clients through each stage of the procurement process from OBC through to contract management and financial close, working as trusted advisers helping to manage the interfaces and relationships within clients and between clients and their suppliers.

5. And finally

BFL consultants continue to be in demand as guest speakers at various events. In the past month Stephen Ashcroft has delivered "Research findings of e-procurement implementation in Local Government" to the East Midlands CIPS branch and is presenting "Contract Negotiation Skills" at the South Yorkshire CIPS branch - 22 November 2006. Ken Morris has presented a "negotiation Skills" seminar to the Beds. & Herts. branch of CIPS and BFL have also established a dialogue with the Royal Institute of Chartered Surveyors (RICS) when Ken presented a "Procurement Risk Exposure Modelling" seminar to an audience in excess of 60 at Manchester Metropolitan University.

Subscribers, please forward your feedback, enquiries and articles to:
news@brianfarrington.com



Until next month,

Stephen Ashcroft
Brian Farrington Ltd

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

www.brianfarrington.com

Brian Farrington Ltd
Rainford Hall
Crank
St Helens
WA117RP
T 01744 20698
F 01744 27897
E news@brianfarrington.com
URL www.brianfarrington.com

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Just complete the simple form - it will take about 20 seconds. And you'll receive a free PDF 6-page Commercial Negotiation Skills paper by Stephen Ashcroft, published by Emerald, the leading academic body.

<http://www.emeraldinsight.com/Insight/viewContentItem.do?contentType=Article&contentId=838399>

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Brian Farrington Ltd
Rainford Hall
Crank
St Helens
WA11 7RP

T 01744 20698
F 01744 27897
E news@brianfarrington.com
URL www.brianfarrington.com

Brian Farrington Limited

Procurement and Supply Chain Specialists.

Rainford Hall, Crank, St Helens, WA11 7RP England

+44 (0) 1744 20698, fax: +44 (0) 1744 27897,

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