

Professional development program essay sample



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Aim of Assignment:

- SPECIFICATIONS – To demonstrate the ability to write good specifications
- ETHICS – To understand the ethical considerations involved in project procurement management
- TENDERING – To understand the requirements for administering the tendering process
- CONTRACT ADMINISTRATION – To deal with problems during the contract administration process

Assignment – Four questions

1. SPECIFICATIONS [24].

Write, for a mousetrap:

i. Descriptive specification (including drawing, if necessary); and (12) ii.

Performance specification (12)

2. ETHICS IN PROCURMENT [31]

A. Case Study – Ms Smith (16)

B. Briefly analyse, from your project experience, 1 situation or opportunity that exists for procurement personnel to act unethically during the project procurement process and identify which ethical principles are threatened. (6)

C. Briefly describe 3 diverse strategies that the project manager might use to minimise the likelihood of unethical behaviour by project procurement personnel? (9)

3. TENDERING [20]. Case Study – Ray Gunn – see attached

4. CONTRACT ADMINISTRATION [25] Case Study – Tom Dewey

Dates & Penalties

Date given: TBA.

Date due: TBA.

Students are given sufficient time to produce the assignment and the deadline will be strictly enforced. If an assignment is handed in late the student will be penalised in accordance with the unit outline.

Format

The assignment must be typed on A4 paper (using one side only) in single space typing and presented with a cover sheet setting out your name, lecturer's name, unit title and the topic of the assignment. All papers should be numbered. All assignments should be thoroughly checked for typing, spelling and grammatical errors before being submitted. Work of an unacceptable quality will be returned for correction and re-submission.

Question 2(a) CASE STUDY – ETHICS IN PROCUREMENT – MS SMITH

Ms Smith had served her public sector agency faithfully for more than 20 years. She had achieved many of her personal ambitions, but felt she had reached her limit regarding promotion. When the services of her organisation were to be assessed for outsourcing, Ms Smith saw this as an opportunity to pursue a new career in the private sector. With her in-depth knowledge of her organisation and her appreciation of the pitfalls any service provider would face in taking over from the existing public sector provider, Ms Smith sought to assist the company she thought had the best potential to win with its tender development. Deeply ingrained with the view that she would be acting improperly if she assisted any company during working hours, Ms Smith went on three weeks leave. During this time, she contacted ABC

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Limited and offered her services and expertise. She explained she intended to leave the public sector and felt her expertise and experience might be of assistance in the development of ABC's bid. Careful not to be seen to have solicited Ms Smith's assistance, ABC asked her to confirm there was no impediment in her working on the bid.

Ms Smith confirmed that she believed she was free to assist ABC, particularly as she was on leave. She further added that she sought no payment for her advice, but felt she would be a good 'catch' if ABC won the contract.

Satisfied, and happy to have clearly credible assistance with its bid, ABC brought Ms Smith into the bid team for her leave period and offered her a place on the company's team to deliver the service to the government should it win. At an industry briefing for the tenderers the government team, which included Ms Smith as an observer, detailed the specification, arrangements for bidding and tender evaluation. Ms Smith's supervisor noted that she seemed to know the ABC people and not people from the other companies present. He casually asked Ms Smith where she had met the ABC team previously and was amazed when she told him she had been helping ABC while on leave. She indicated her personal preference to see ABC win the contract, as she would become an employee if this occurred.

Question 2(a)

1. What is (are) the ethical problem(s)? (6)
2. Analyse, in ethical terms, the available options for actions by the Supervisor? (10)

Please see cover sheet for Questions 2 (b-c)

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Question 3 - CASE STUDY - THE TENDERING PROCESS - RAY GUNN

A client, Gerry Hatrick, engaged Ray Gunn a project management consultant, to obtain tenders for a construction project. He tried to dissuade GH from using an open tendering process but GH was adamant that no one should be denied the opportunity of tendering a price for his project. Ray was equally adamant that privately asking a select group of contractors to tender would give more assurance of value for money. An advertisement in the daily newspaper was duly inserted and the close of the tendering period was advertised as 12 noon on 3rd November, in Project Inc's office. The latest estimated cost of the project, prepared by Ray, was \$1, 900, 000. Tenders had been sought for price only, not for construction times, the time having been stipulated by in the tendering documents as 38 weeks. The prices were specified to be firm price not subject to escalation adjustments. Six tenders had been received by 12 noon. Ray began to open the tender envelopes:

- The first tender opened, from Speedy & Co, was \$1, 770, 000
- The next tender opened, from Empire Builders, was \$1, 842, 000
- The third tender, from Bill Ding Corp., was \$1, 955, 000, to which was added the footnote, "This tender will be reduced by 10. 5% if an escalation clause is included in the contract"

- Just then, Jack Rafter from Slip Shod Constructions arrived with a tender after being held up in traffic congestion on his way to submit the tender. It was eight minutes past noon. Jack left then opened the envelope. The tender was \$1, 700, 000.
- The next tender opened, from De Fektif Constructions, was \$1, 666, 000.
- The next tender opened, from T. Mahal, was \$2, 166, 665
- The last tender opened, from NBG Co, was \$1, 967, 000, which was

endorsed with the words, “ An alternative tender of \$1, 800, 000 is applicable in the event that the construction period is changed to 42 weeks”

• Ray went to lunch and on his return there was a telephone message from De Fektif Constructions, saying that there had been an error in their tender, which should have read \$1, 695, 000 He knew very little about any of the tenderers. During the tender period he had enquired of some of his colleagues as to their knowledge of the tenderers. All he could find out was that Speedy & Co. had a reputation for being late finishing projects, for no apparent reason other than poor organisation, and that Empire Builders did not enjoy good relationships with other project managers, because of Empire’s expertise in making contractual claims for additional payments Ray decided that before doing anything else he should phone De Fektif and tell them what to do with their amended tender.

It was Paul Bearer who answered the phone: • Ray: “ Your telephone message about an error in your tender was a waste of time. You can’t change the rules. The best you can do is to withdraw” • Paul: “ OK, we withdraw our first tender but our corrected price still stands” • Ray: “ No, it doesn’t. It would be most unfair to change your price after the official deadline. I shall ignore both of your prices” • Paul: “ I’ll send my amended price direct to Gerry Hatrick. He’ll understand that we have made a genuine error.” The conversation ended. GH was overseas and could not be contacted. Ray therefore decided to put his recommendations in writing and send GH a letter to be waiting for him on his return, which was the procedure that had been agreed before GH departed, anyway

Question 3

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1. What is your opinion of the tendering process, as far as it is known? (10)
2. As Ray, write an appropriate comprehensive letter to the client. (10)

Question 4 - CASE STUDY - CONTRACT ADMINISTRATION - TOM DEWEY

In June 1995, Tom Dewey, purchasing manager for Builder's Bank, Inc.'s (BBI) New York office, wanted to resolve a set of problems arising from the purchase of eighty chairs for the executive boardroom. BBI was a large international bank with operations throughout the world. It had recently purchased an office building and had hired the well-known architect Peter Tropper to do the major design and renovation plans. The purchasing department in the New York office was responsible for all local purchases, in addition to a few major purchases for the international offices. The bank did not have an approved supplier list; an invitation to bid was an indication that the potential supplier was considered qualified. The architectural firm of Peter Tropper was hired to redesign the entire building, including the selection of furniture. Once the design was completed, a working group, including the president and vice president, had approved the design, including selection and colour for all major furniture. The purchasing department did not participate in this process. In June 1994, Peter Tropper sent a specification sheet to the purchasing department for all purchases, which included model number and manufacturer. Suppliers would bid on the same manufacturer, with no substitutions allowed.

Although the department had the option to split the order between suppliers, Tom Dewey decided to order through a single source. In late June, the working group asked Tom Dewey to submit a budget of what the bank would

have to spend to complete the renovation during fiscal 1995. Therefore, in early July, Tom Dewey submitted a request for proposal (RFP) to ten potential suppliers, all of which responded. When the bids were received in mid-August, the working group reviewed the bids and rejected them as being too high. The working group and Peter Tropper agreed to a scaling down of the work proposed. A week later, Tom Dewey sent new specifications to the same ten suppliers, of which eight responded. The low bid on the RFP was \$1.3 million, submitted by ABCO Furniture, a large local furniture dealer. In September, the working group authorised Tom Dewey to purchase major furniture and the chairs for the executive boardroom totalling \$400 000. Among the items on the RFP were eighty leather chairs for the executive boardroom. These chairs have a single pedestal and a fixed jury base, which would not allow the chairs to rock or swivel.

Twelve of the chairs, costing \$1 500 each, required installation in concrete, with the remaining sixty-eight chairs, costing \$1 300 each, having bases that could be installed on wood flooring. The RFP made no mention of installation. In February 1995, ABCO Furniture informed Tom Dewey that the chairs were ready. Since the boardroom was still under construction, he arranged to have ABCO store the chairs, with the agreement that he honour the invoice in March. The invoice was paid in late March and ABCO stored the chairs until they were delivered on the morning of April 22, 1995. When the chairs were delivered, the construction manager talked with Peter Tropper regarding installation. The construction manager told Tom Dewey that the architect had said he would give detailed drawings regarding installation of the chairs, although the drawings had not been received. When Tom Dewey asked Peter

Tropper about the problem, Peter indicated that Purchasing, having bought the chairs, was responsible for installation. Peter Tropper also stated that he had informed Purchasing, by letter in late March, that Purchasing was responsible for installation.

At the instruction of Tom Dewey, ABCO hired a local installer to install the chairs. The installer had seen neither the chairs nor the boardroom before. The installer arrived late on the 22nd and discussed the installation procedure with the construction manager. They concluded that they would use expansion bolts in the concrete and wood screws in the platforms. Both the construction manager and the installer agreed that long lag screws could not be used since the platforms were elevated, with electrical conduit underneath. After installing a few chairs on the morning of April 23rd, the installer and construction manager concluded that the wood screws would not hold. Since the chairs were rigid, the smallness of the diameter of the base was insufficient for the torque applied to the base when the chair was used. Since no adequate support was designed into the floor when the room was remodelled, other support alternatives had to be evaluated. The installer, even after installing the toggle bolts, discovered that the chairs were still coming loose. In addition, the expansion bolts, installed in the concrete, would also eventually work loose.

However, with the upcoming board meeting on May 6, 1995, the construction manager and installer agreed that the chairs could be used temporarily. The supplier, after discussing installation costs with the installer, told Tom Dewey that the current bill for setting up the chairs would be around \$4 000. However, for the installer to do the job correctly would

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cost and additional \$15 000. The May 6 board meeting went smoothly, although many board members noted the instability of the chairs. In June, the executive directors expressed concern over the need to fix the chairs- and quickly. However, Tom Dewey's frequent discussions with Peter Tropper had yielded no results. The installer billed ABCO Furniture at the end of May. In late June, Tom Dewey received a bill from ABCO for the installation of the chairs, and a copy of the invoice received by ABCO from the supplier. Tom Dewey recognised that BBI had not allowed for any additional installation costs and wondered what the best way to resolve the problem would be. 1. What alternatives are open to Tom? What is the best course of action? (9) 2. Who is responsible for the present situation?