

Specialty procurement case study examples

[Business](#), [Company](#)



1) The decision is very simple for Royce and he should not hesitate in selecting Baker Steel over Mohawk. The reason behind this is the fact that Pendleton is a business venture that needs profitability to survive. By ordering Baker Steel they would save approximately \$97800 every year. This is a big amount. The company would be more profitable and more well off by selecting Baker Steel. Another reason for selecting Pendleton Construction is a fact that Mohawk cannot meet the supply needed for the project. They can only supply 5000 tons, whereas the project requires 9780 of bended steel a year. This is again an important factor in selecting Baker Steel. If the company chooses Mohawk, there might be delays because of their low capacity and the project completion might suffer which will be very negative for the company and will give itself a bad name. Hence Pendleton construction would be better off selecting Baker Steel. Another reason for selecting Baker Steel is the fact that it is a very responsible company that has good and fair dealing and has always honored its contracts. It also means that Pendleton Construction can rely on them and they can meet the targets given to them without fearing any delays or anything that would be negative for the company.

2) It might not go down very well with Mohawk. However, it will be the job of Royce to convince them. Let them know of their high price and low capacity. Mohawk might decide not to provide bended steel Pendleton in the future, but it will be against their own business since it is already a disadvantaged firm with Pendleton as a large order buyer. If Mohawk refuses to supply to Pendleton Construction they will have to choose some other supplier which might not give the company the privilege of emergency orders. Also the new

supplier that is located far off may charge transport costs, which will increase the costing and pricing for the company in the future and company may lose business as they may lose their ability to work on smaller and more urgent orders. The company may also have to stock more bended steel which would require additional investment and storage capacity. All of this will make the business management difficult for Mohawk. However, there are fewer chances that Mohawk will stop supplying bended steel to Pendleton Construction because they themselves are dependent on the business that Pendleton Construction brings them. Also one more thing that could happen as result of Pendleton Construction choosing a supplier other than Mohawk is that might get access to more cost effective suppliers which would increase the company's profitability and make it a bigger firm. This would open up more doors for the company to grow and get more project. They will also be able to quote cheaper rates, due to decrease in supply and as a result it will become easier for them to get more orders. Overall, the impact of choosing Baker Steel might be positive and the company will be well off. They may be able to get more jobs, offer more employment opportunities and enjoy a distinct position in the market just because of one small change.

References:

Daft, R. (1995). Management. The Dryden Publishing: NY