

Global procurement assignment



**ASSIGN
BUSTER**

BE is a medium-sized enterprise, trading house (van Well 2010). The company involves in trading of good quality technical parts to building and offshore industries (van Well 2010). Technical gets its products from manufacturers which located worldwide (van Well 2010). Instead of Technical arrange the delivery, the manufacturers on behalf of Technical arranged the delivery of goods to Technicians customers (van Well 2010). Technical has established since 1993 with largely known of good reputation as a trustworthy business partner (van Well 2010).

Since then, Technical had businesses with many customers and most of them are in long term business relationship with Technical (van Well 2010).

Networks BE is one of the Technicians clients and had a long term business relationship with Technical (van Well 2010). Networks had business relationship with Technical for more than ten years (van Well 2010).

Networks BE is a well-known dredging organization, operating worldwide (van Well 2010). Networks mainly procured cutters, adapters and cutter teeth from Technical for Networks' dredging machines (van Well 2010).

Networks purchased the parts from Technical to perform the dredging works (van Well 2010). Cutter was used to take in the soil/rock and break into pieces and shove by pipelines (van Well 2010). The adapters were soldered to the arms/wings of the cutter (van Well 2010). These work as a setting for interchangeable teeth (van Well 2010). In the past, there were not much big issues between Technical and Networks (van Well 2010). However, there are two major incidents on the usability of the parts sent by Technical (van Well 2010).

Both incidents have concluded that the adapters and cutter teeth were of inferior quality which did not meet the requirement from Networks (van Well 2010). One was happened in 1998 when the cutter was used and broke in Portsmouth (van Well 2010). It was the first batch of delivery from Technical (van Well 2010). The inferior cutter teeth had cause the cutter to break (van Well 2010). For this case, American Machine Company (MAC) and Technical compensated all the cost of the adapters and cutter teeth (van Well 2010).

Subsequently, American Machine Company (MAC) and Technical advised to Networks the cause of the break was due to wrong handling of the products and Networks has accepted the reason (van Well Another incident was happened in 2003, a dredging project in Bahrain in the Persian Gulf (van Well 2010). The rocky bed in Persian Gulf was known to be very hard (van Well 2010). Therefore, the adapters supplied by Technical were unable to overcome ten tough rock Dead Ana Drake Incessantly (van well 2010). I Nils Incident was resolved internally between Technical and Networks (van Well 2010).

Technical deliver new sets of adapters and cutter teeth at their own cost (van Well 2010). On the other hand, Networks did not demand for indirect damages or consequential damages against Technical (van Well 2010). A new purchasing manager Joined Networks in 2005 (van Well 2010). When the same problem arises in the project in ROI De Jeanine, the new purchasing manager demands a damage claim from Technical (van Well 2010). Further to this issue will be discussed in assignment one, two and three.

Assignment 1 As an external consultant of this situation, would deduce that Networks' purchasing manager would not have a strong case. This is because, the purchasing manager did not comply the terms and conditions stated in the contract of general conditions of purchase and yet demanding a damages claim. Firstly, when Networks dredging staff found out that the adapters and the cutter teeth wore out at extreme speed during operation in ROI De Jeanine, Networks should immediately inform Technical about the quality and claim for replacement (van Well 2010). In article 13. Guarantee of the general conditions of purchase, it states that the products delivered by Technical has to ensure all products are delivered in good and sound workmanship and are comply with the requirements in article 9 quality in the contract of general conditions of purchase (van Well 2010). The errant will be at least six months from the start of operating the products, within six months after delivery of the products as well as a period of twelve months after delivery or specifically indicate the duration of the guarantee (van Well 2010). In addition, article 13. Stated that if Networks found out any flaw of the products supplied from Technical and was found during the guarantee period, Technical is responsible to replace or repair the flaw products immediately and deliver to Networks (van Well 2010). All cost comprised in replacement and repair will be bear by Technical (van Well 2010). It is Networks negligence not to inform Technical about the defect products as such Networks faces financial losses. Hence, Technical able to argue back to Networks that Technical may not compensate the damages claim due to Technical was not known of the defect products.

Networks should immediately inform Technical once Networks discovered the defect products so that Technical could arrange replacement. Secondly, in 15 August 2006, Networks has engaged a specialist technical consultancy to test on the cutter teeth and adapters (van Well 2010). The results were both cutter teeth and adapters did not meet the standard technical specifications (van Well 2010). Nonetheless, Networks disregard to inform Technical or Silken Tools & Machines (KIT) about the results (van Well 2010).

In article II 1 Ana II 2 on Inspection Ana testing, It Montreal Tanat Unawares n the right to inspect and test the products (van Well 2010). On top of that, Technical is liable in executing the general conditions of purchase (van Well 2010). In article 10. 3 expressed that during the inspection, if found the products either not according to the contract or do not fulfill Networks' requirement, Networks could send a notice of rejection (van Well 2010). Networks should inform Technical about the results immediately so that Technical or KIT will expedite and deliver better quality cutter teeth and adapters.

Therefore reduce the cost damages. Assignment 2 From assignment 1, it has deduced that Networks would not have a strong case due to some negligence acts. There are various solutions to solve the issue between Networks and Technical. Firstly, Technical could hire an arbitrator to resolve the disputes outside the courts (The Law Society of Singapore 2013). Arbitrator helps both parties to resolve damages claim from Networks. Arbitrator would listen to both parties situation and would think of a solution to make both parties satisfied and do not need to resolve in court.

As the damages claim from Networks, the amount is too big. Technical could use the reason of Networks negligence of not informing Technical so that Technical could propose to pay half or two third of the damages claim. Technical may not need to engage an arbitrator to resolve the issue. Instead, Technical higher management could pay a visit to Networks and discuss with their higher management to resolve the issue internally. If internally unable to resolve then arbitrator is required. If still unable to come to a conclusion, both parties have to settle in court.

This will incur extra expenses such as hiring a lawyer, court fees, administration fee and so forth. Likewise, Technical should investigate on the material supplied by KIT. Technical should check what KIT has delivered to Networks and also check if KIT has supplied base on Networks requirement. If KIT did not supplied base on Networks requirement, Technical could sue KIT and request for damages claim and repay to Networks. In addition, Technical could also sue the subcontractor of KIT in India for delivered of effect goods and the products they produce did not meet Networks expectation (van wee 2010).

Apart from resolving the damages claim, Technical and Networks should sit down and negotiate about the general conditions of purchase. They should discuss where both parties could improve or change on the conditions of purchase. So that in future, there will be lesser disputes between the both parties. Assignment 3 Networks should use below purchasing process model in figure 1 created by van e e (2010) Tort ten organization purchasing Tunnel has to focus on will be elaborated below. . I en mall satellites

Figure 1 Purchasing process model and some related concepts (van Well 2010, p. 9) Determining specification Before Networks send requisitions to suppliers to quote, Networks has to ensure that the right materials have been requested. This means that Networks has to check what type of materials require for every projects. Not all projects require the same type of materials. By identifying the correct materials to procure, not only prevent from wrong supply but also help to save the materials cost if the particular project does not require high quality materials.

Additionally, Networks should repaper the drawing, dimensions, data sheet and so forth to suppliers to prevent supplier to quote irrelevant materials. Selecting supplier Networks should acquire a certification of quality management, ISO 9000 to stay consistency, obtain good quality products and services (International Organization for Standardization 2013). In quality management principles, a requisition must have three suppliers' quotations for verification, subsequently issue the purchase order (International Organization for Standardization 2013).

This also prevents Networks to be dependent on Technical. If Technical had continuously failed to deliver good quality reduces to Networks, Networks can look for other suppliers to supply the tools for their dredging machine (Daniel, Redheaded & Sullivan 2011). Contracting The new purchasing manager did the correct way by giving the general conditions of purchase to Technical for approval (van Well 2010). Having general conditions of purchase protects Networks against Technical. The contract must clearly indicate all the conditions from placing an order to delivery of order and to warranty of the order.

If Technical has failed to comply one of the conditions in the contract, Networks has the rights to claim damages from Technical. The contract also protects Technical if Networks fail to follow any condition in the general conditions of purchase. Networks is unable to claim damages from Technical.

Ordering When placing an order to the Technical, Networks must fulfill to the general conditions of purchase by giving a written order to Technical (van Well 2010). In the case study, Networks did not give Technical written orders (van Well 2010). Instead, Networks placed order to Technical using telephone (van Well 2010).

This was not the correct way because there was no evidence to prove what order was placed from Networks. Cancel may supply wrong materials IT message was not properly transmitter correctly through telephone. If Technical has delivered wrong materials, Technical may accuse Networks for providing the wrong information to avoid being sued by Networks. Expediting and evaluation as well as follow-up and evaluation After placing an order to Technical, Networks must keep track on the delivery status from Technical (van Well 2010). Networks must ensure that Technical provide invoice with endorsed delivery note from Networks' staff to Networks.

If Technical fail to do so, Networks has the right not to pay to Technical. Additionally, when Networks' staff receiving the goods from Technical, the staff must check all items delivered are in properly manner and also check the quality of the goods whether acceptable or not. If the goods were in bad quality, Networks has the right to reject the goods and demand Technical to arrange delivery of the good quality goods. Conversely, Technical should not let the manufacturer to deliver the goods on behalf of Technical to Networks

(van Well 2010). Technical should request manufacturer to deliver the goods to Technical premises.

After receiving the goods, Technical should do a laity check before sending them to Networks. This prevents bad quality of goods delivered to Networks. Therefore create good reputation to Technical and avoid unnecessary troubles to Networks. Finally, when Networks has accepted the goods, Networks should do an evaluation on Technical. If Technical did not meet Networks expectations, Networks should consider changing the supplier to supply adapter and cutter teeth. Besides that, Networks should consider ordering adapters and cutter teeth to other suppliers to make comparison and decide which supplier provides good quality goods and revise.

Conclusion To conclude, assignment one, two and three have discussed and analyses. Assignment one has covered whether the purchasing manager in Networks will have a strong case on the damages claim. Secondly, assignment two has discussed on the solutions in solving the disputes between the two parties and how to solve the disputes. Last of all, assignment three had suggested methods to prevent the problem arises.

References Daniel, J. D. , Redheaded, L. H. & Sullivan, D. P. 2011, International Business Environments and Operations, 13th Eden, Pearson Education Inc.