

Procurement scenario (problem solving task) report

[Business](#), [Marketing](#)



Abstract

Procurement management strategies are important for every organization wishing to have successful service delivery ventures. However, certain problems influence the effectiveness of procurement strategies described in an identified construction company. Project complexities, disorganized supplier network and negative market shifts have been identified as major challenges facing the construction company hence minimizing its efficiency in procurement strategies. The positive part of the identified problems is that they can be rectified using recommended strategies all of which when implemented results to higher efficiency levels and a greater competitive advantage for the organization. This follows the example of other successful ventures that implemented e-procurement, management of procurement complexities and following the right bidding channels.

Introduction

Every organization in the present day wishes to succeed in product and service acquisition hence the need for sound procurement management strategies. Procurement management refers to the approach that leads to the acquisition of services and products. Successful procurement management strategies enable organizations to create successful projects, shelter creative ideas and have a greater competitive advantage. This paper discusses a scenario of procurement management problems faced by Zetech Construction Agency and the suggested recommendation to ensure the organization increases its efficiency in procurement management (Bower, 2003). This follows the fact that while the set up maybe exceptional, there

are instances when those put in charge of procurement management processes fail to make the desired impact. Zetech Construction Agency handles construction projects for companies investing in real estates and therefore deals with client services, delivery and maintenance which for the past twelve years it has been doing with reasonable success. However, it comes to our attention that operations have not always been smooth for the organization following different obstacles in procurement management, which arise from inefficiencies that can be identified and resolved

Discussion

The procurement procedures at Zetech Construction Agency are handled by the procurement department. There are many processes to be accomplished in order to realize the organization's objectives as well as making procurement an integral part of the organization. Procurement process follows a chronological order beginning with the necessary paper work and concludes with handing over the contract to the selected appropriate tender. Zetech Construction Agency is limited to public tendering whereby the final choice of a bid is usually within parameters specified by the elected committee that has the capacity to make decisions before the contract is handed over.

Problems with procurement

Project complexities

Zetech Construction Agency faces the procurement challenge of complexity whereby investment on large projects demand multitude of results.

Decisions have to be made, financial requirements assessed, technical

problems solved, legal issues addressed and supplier capacities evaluated. Not even the smallest detail in procurement management can be overlooked. Procurement experts have the main goal of looking to do business with the most cost competitive contractors and suppliers while ensuring that all project standards are met in terms of price stability, quality and supply security (Kovács, 2004). The expectation of the different departments are at time in direct conflict with others citing the example of easily accessing capital could mean procurement restrictions. These complexities lead to project inefficiencies following lack of adjustability present in project planning and adjustability. For large projects such as the construction of an estate holding 50 units of residential houses, setbacks arise from procurement rules and it becomes impossible to complete the project earlier following the need for advertisements. The inefficiencies are also propelled by the complex and intensive administrative process that takes during the bidding process.

Disorganized supplier information framework

Procurement also faces the problem of multiple stakeholders and aligning them in a large project becomes and major task. In a typical example, when the finance department is seeking to ensure export credit agency coverage, procurement is looking for the best costs and supply security while engineering department is lobbying for the finest technical solutions. This burden seems to increase when projects are led by international conglomerate. Zetech Construction Agency has a weak structure to organize relevant bidder information. In most cases as the different departments within the organization strive to achieve their goals, the procurement

department finds itself not able to view statistics about suppliers (Kovács, 2004). This implies that Zetech Construction Agency is in a lack of information state whereby it is not aware of the appropriate bidders, approach to be assessed, planned and determined. As discussed by Robertson and Gardiner (2005) procurement department faces the challenge of inadequate management systems, paying no attention to the selection criteria if at all there is one and limited risk management and quality assurance processes. The lack of information makes it difficult for the agency to handle procurement procedures competently. The random and irrational selection criterion of bidders leads to uncertainty in the pool of suppliers that have to be excluded. This whole concept is damaging for the agency's project citing the worst case scenario of a selected bidder not being able to deliver as expected hence endangering the entire contract.

Negative supply market shifts

Large projects can also be affected negatively by supply-market shifts. For example, if an organization has a market demand for steel, their prices can increase which negatively affects the projects budget. The negative market shifts plus budget overruns and delays can lead to other significant problems including bankruptcy. Since procurement is made up of the largest share of costs, it is then crucial to have a well planned procurement strategy so as to ensure project success. The negative market shifts (inflation and market prices) and the tedious bidding process adds insult to injury making bidders withdraw from the entire tender (Kovács, 2004). Although bidders are adaptable to the shifts in the market, their submission of various bids is understandable but they prove complicated for the Construction Agency.

Recommendations

The identified problems facing procurement strategies at Zetech Construction Agency have tangible capacity of actions to resolve them. Basically, it is the organization's procurement policy that has to be reviewed to ensure that activities are well defined and actors know what is expected of them. The bottom line in solving procurement complexities is managing the total procurement procedures so as to carry out a successful project. Most potential business owners evaluate a project based on its return on investment and a good one depends on the projects commercial attractiveness, which further depends on financing costs that influence procurement and capital structure, all of which must meet all stakeholders' time and quality (Grünig & Kühn, 2013). The gap of timeframe spanning procurement should be minimized following the European model so as to reduce the tender announcement and notification times. Zetech Construction Agency and its suppliers would benefit from such a measure following reduced logistics expenditure, faster implementation of procurement and increased credibility and quality.

The bidding process can be enhanced by incorporating information technology which would in turn enhance system reliability. Procurement information must be added to the data base so as to compile a backlog of preceding projects and updates of new ones. E-procurement has become part and parcel of modern day organizations so as to bring out efficiency mechanisms (United Nations., Asian Development Bank., & Korea (South), 2006). The procurement staff can utilize the internet so as to select the best products and services as well as handle transactional aspects of making

orders, requisitions, receipt, payment and authorizing. Furthermore, the relationship between procurement managers and suppliers can be deemed credible with assistance from the government organizations setting regulation and authenticity of several projects.

Conclusion

It is clearly evident that organizations whether large or small wish to strike a balance between financing options and capital expenditures so as to maximize returns on investment especially on large projects. Zetech Construction Agency would be at an advantage it could remedy the identified setbacks following tactful measures so as to make the procurement systems more effective. It is vital that the procurement policies be reviewed as the managers receive appropriate education and awareness. These strategies would ensure the organization optimizes its projects as well as be competitive in field of procurement.

References

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Appendix