

document can easily be used as a template for any procurement to help create procurement plans.

**Request for Proposals:** The document is the actual RFP for Case Example 2. The RFP includes every major component needed to receive relevant proposals: the invitation, table of contents, overview of the request, timeline and events, general instructions for responding to the request, proposal stipulations and requirements, insurance requirements, the proposal evaluation process, specialized services to be performed, proposal reply page, proposal contents, signature page, and attachments. The attachments include a sample contract, deviation form, notice of non-participation form, how to access IRS Form W-9, and a contractor sign-in log. Although the RFP is very specific for janitorial services, it can be used for any type of procurement. The template can be used as a template for any RFP, as well as to support a procurement team in uncovering the information needed to provide an ethical, legal procurement.

**A Gantt Chart in MS Excel for Mac:** Step-by-step instructions describe how to create a Gantt chart in a Microsoft Excel spreadsheet. Several websites offer similar instructions for creating a Gantt chart in MS Excel for Windows, but this is the only instruction sheet currently available for MS Excel for Mac. Although MS Excel is not the easiest tool to use to create a Gantt chart, its charting capabilities can be finessed to produce an acceptable Gantt chart. This Gantt chart can be used to communicate the baseline schedule when the procurement begins and to update the schedule as the procurement progresses. Although the Gantt chart created using these instructions is for the Case Example 2 schedule, the instructions can be used to create a Gantt chart for any procurement.

# CHAPTER 1

## FIRST THINGS FIRST

Procurements are purchases of materials, products, or services in a business environment. This concept translates to everyday life as well. We all buy things. Most of us buy services at some point in our lives. Let's look at a case example that is common for most people in the United States. We will watch a family that shops for a car.

### CASE EXAMPLE 1: SHOPPING FOR A CAR

Bill and Sheila needed to buy a vehicle for their sixteen-year-old daughter, Abby. Their decision to buy a vehicle took quite some time—their daughter's safety was first in their minds. Now that the decision to buy the vehicle had been reached, they started looking at different makes and models. The first requirement, safety, ruled out several models. Abby would not be getting a Ford Mustang, a Dodge Charger, a Chevrolet Corvette, or many other vehicles. Next they looked at body styles—SUV, minivan, sedan, and pickup. They could not see a sixteen-year-old girl driving a minivan or a SUV. That left a sedan or pickup. They did not need a pickup because Bill already drove one. So a sedan it would be.

Doing their research online, Bill and Sheila started with a trusted site. This site had reports on all types of vehicles. The reports included safety, reliability, fuel consumption, and comfort as the metrics, along with the technical specifications for each vehicle. The site also provided guidance on pricing of each vehicle and which vehicles provided the best value for the money.

After they narrowed down the choices, Bill and Sheila visited car dealerships. They still had to decide if they would buy a new sedan or a used sedan, so they went to both types of dealers. They also looked in the local newspaper for ads for

both new and used vehicles. With ongoing conversations between each other, and with their daughter, they decided to buy a new car. The major factors influencing their decision were safety, reliability, and value. With car loan interest rates very low, and prices for new vehicles quite reasonable, they decided that this new car would last their daughter at least through college and probably several more years after that.

Still looking for the best possible value, Bill thought about a hybrid car. Sure it would save on gas costs over the life of the vehicle, but what would that life be? Five years? Ten years? More? What about repairing or replacing the batteries? Bill decided to do research to find out about hybrids. Here is some of what he found online:

**Pros:** great gas mileage (ranges from about 42 to over 60 miles per gallon); very quiet while running on batteries; good reliability; good durability; great braking; good interior style; smooth ride; good cargo capacity; good power train performance

**Cons:** sluggish handling (steering); high price; slow acceleration; too quiet (cannot hear engine running); not enough leg room; poor driving position reduces visibility; not recommended for towing; high maintenance costs

With these findings, Bill talked with Sheila and Abby, and they all decided to do test drives. The conflicting ratings of the quietness and power train performance would be decided during the drives, as well as the driving position and comfort level for Abby.

They decided to test drive a Toyota Prius first. At the dealership, there was only one Prius available. All three went on the test drive, with Abby driving out of the dealership. The salesman rode in the back seat and answered questions as she drove. Bill and Sheila found the Prius to be very different from the vehicles that they had driven all their lives. It was very quiet without the gas engine running. They had to agree with the online comments that the steering was less responsive than they were used to, but Abby did not have any problems with it. Secretly Sheila was very happy that the car did not have the pep that sports cars have—Abby would be safer. When they arrived back at the dealership, the salesman invited them into his office to talk about the car.

Before they went to the dealership, all three had decided that they would do the test drive only. They did not want to buy the car right now. There were other cars to look at and test drive before their decision could be made.

Inside the dealership office, the salesman pointed out that there was only the one Prius at the dealership. He said that they never kept a Prius on the lot for more than two days, and this one had arrived the day before. No other dealers

had a Prius on their lots right now, either. If they wanted a Prius without a wait, they would need to make a decision now.

Bill and Sheila looked at each other, then at Abby, and Bill stood up. Sheila asked, "What kind of deal can we get on this Prius?"

The salesman responded, "Do you have a trade-in?"

"No. And we're not ready to proceed with this right now, are we?" Bill said as he looked at Sheila.

"But, honey, we're here now and we all like the car. Does it hurt to find out more?" Sheila looked at the salesman.

Bill sat down. Abby touched her mother's arm and said, "Mom, we need to go. We're looking at some other cars now, remember?"

Sheila looked surprised and then gathered her belongings. She stood up and extended her hand to the salesman. "Perhaps you can give us a card. We'll call you when we make a decision."

The salesman stood and shook hands with Sheila and Bill. Then he handed Sheila his business card. "I hope you folks hurry with your decision. That Prius won't be here tomorrow."

After two weeks of test drives and getting answers to their questions, the family was ready to make a decision. They decided that despite the high initial price of the Toyota Prius, it was the best choice for their daughter. They called the salesman at the Toyota dealership to find out if he had a Prius on the lot. He did not, but suggested that they could order one and it would be there within three weeks. They agreed with his suggestion and went to the dealership to negotiate. The salesman met all three of them at the door of the dealership and escorted them to his office. After bringing in an extra chair, the salesman sat behind his desk.

The salesman started the negotiation. "For the model you folks looked at, the Prius C, which trim did you decide on?"

Bill answered, "We want the C.3."

"Uh-h!" Everyone looked at Abby, the source of the noise. Abby rolled her eyes.

"That's what you and Mom want. I want the C.2," Abby said and crossed her arms.

"What do you mean, you want the C.2? We discussed this and decided on the C.3." Bill squinted his eyes, but maintained his calm.

"You mean you and Mom decided. I couldn't get a word in edgewise," said Abby.

"Okay," the salesman interrupted. "We can look at both models again and see all the options. Here are the brochures." He handed Bill two glossy brochures. Sheila took the brochures from Bill and laid them on the desk so that all three of them could see. She opened them up side by side.

“Honey,” she said, “we just want the safest car for you. That’s our main concern.”

“Yeah, but I want something that’s fun. Something that my friends will like,” Abby said as she scooted forward in her chair to see the brochures. “See, the C 2 has so much more fun stuff. And it’s safe, isn’t it?” She looked at the salesman.

“Of course it’s safe,” he answered. “It’s a Toyota.” The three adults smiled at that.

“Okay, let’s go through it all again,” Bill conceded.

They went through the various base and option specifications. They compared how the two models were alike and how they differed. The salesman answered questions as they came up. The three members of the family discussed the pros and cons of each model.

And they did not reach a conclusion. Parents wanted the C 3 and teenager wanted the C 2. At this point the salesman spoke up.

“If she were my teenager, I’d go with the C 3. It does have more safety features . . . now let me talk,” he said and held up his hand, “and fewer entertainment features. Those features can be a distraction—especially with friends in the car.”

Abby crossed her arms, sat back in her chair, and looked away from the adults. It was a full power huff.

Bill and Sheila looked at each other for a few seconds, and then Bill spoke. “Honey, we really want your first car to be as safe as possible. That includes reliability, which Toyota has, and safety features. We also want to spend as little as possible to get those things. But you’ll have this car for a long time, we hope, and you need to be happy with it. So we’ll get the Prius C 2.”

No one has ever seen a happier teenage girl. Abby jumped up and hugged her parents. Then she kept on jumping and clapping her hands. “Thank you, thank you, thank you! I’ll take really good care of it and I’ll be careful. I promise!”

“Okay, okay,” the salesman was grinning. “Why don’t you go out to the waiting area while your folks and I finalize this?” He rose and walked around his desk to open the door for her. As he seated himself again, he started typing on the computer. “So, you want the Prius C 2. We need to get specific with the options that you want. Here’s the list again and we’ll go through it, item by item. Okay?”

“Sure.” Bill sat back and let Sheila look at the brochure.

### Supply chain/purchasing/procurement affects everyone.

Everyone purchases something. In this case, it is one of the major purchases that families make. Looking at the case example, we see that the family did their research before they made a decision. We also see that the family made some strategic and tactical errors in how they approached this procurement. As we continue in this book, we will use this case example to illustrate key points about procurement.

## WHAT IS A PROCUREMENT?

Consider some definitions of a procurement:

*BusinessDictionary.com*: Procurement is “the act of obtaining or buying goods and services.”

Susan Ward (*About.com Guide*): “Procurement is the sourcing and purchasing of goods and services for business use.”

*The Collins Dictionary*: Procurement is “the act of getting or providing.”

Broken down, all of these definitions include:

- Sourcing
- Purchasing
- Goods and services

Our case example shows a personal procurement, and it is exactly like a commercial or business procurement. While it sounds simple—“let’s buy a car for our daughter”—procurement often becomes complex very quickly as it did in our case example.

The most complex procurements often involve:

- Determining a specific need
- Defining standards
- Developing specifications
- Researching where to get goods or services (sourcing)
- Researching viability of companies that provide the goods or services
- Analyzing value, including in-house versus outsourced costs
- Developing the procurement strategy, including compete or non-compete
- Locating financing
- Negotiating price and various other requirements
- Executing the contract (purchasing)
- Putting the contract in place
- Administering the contract
- Managing inventory and stores
- Managing disposals and other related functions

Do you see how many of these activities were involved in our case example?

As you can see, procurement is a major part of any company’s strategy. The amount of money that a company pays for goods and services must be less than the profit it makes. For example, if an electronics company spends more for the raw materials to build a television than it charges the consumer, that company will not survive for very long. But if the company negotiates lower pricing for its