

Procurement or purchasing?

The word 'procurement' means 'finding and purchasing supplies or equipment, especially things that are difficult to get'. The word 'purchasing' inside that definition is a formal word for 'buying'. The job title 'purchasing manager' is still used, although these days this person might be called a 'supply chain manager' and have broader responsibilities for sourcing, logistics, etc.

Procurement

Procurement is a crucial function in business – it's probably the area where cost savings can be made most easily. It involves:

- 1 Finding suppliers: you may make direct contact with potential suppliers, or you may use public advertising in the form of a Request for Information (RFI), a Request for Quotation (RFQ), or a Request for Proposal (RFP).
- 2 Background research: once a number of possible suppliers have been found, you need to discover more information about their product quality and also their track record for installation, maintenance and warranties. You may examine product samples and perhaps carry out some trials.
- 3 Negotiation: you negotiate price, availability, customization possibilities, delivery schedules, etc. A contract is drawn up.
- 4 Fulfilment: the supplier prepares, ships and delivers the product. Any installation and training is carried out.

We often think of procurement in a manufacturing context, involving all the items that go to make up the finished product (ie raw materials, components and parts). But it happens in every business, and includes the purchase of a wide variety of goods and services – from low value items like office supplies to complex and costly items like consulting services.

Procurement is the area of business most open to corruption: either a backhander from a supplier to a manager as a thank-you for being chosen, or collusion between the two to falsify prices, quality levels, etc. The EU has a very strict system of competitive tendering (= bidding) to avoid these problems, and many companies also operate a three-way check of paperwork. This involves all invoices and deliveries being verified by a purchasing manager, the accounts payable department and the plant manager.

Global sourcing

The related term 'sourcing' means 'finding and evaluating suppliers'. 'Outsourcing' is subcontracting work to external companies. If these external companies are in another country, then it's 'global sourcing' (or 'offshoring').

Global sourcing is controversial because of its impact on jobs – a large number of production and back-office jobs are lost onshore. However, if the company becomes more successful as a result of its lower costs, then new jobs (eg in sales, marketing, consulting, project management) can be created onshore. And certain jobs are nearly always better done by onshore staff – those requiring creativity and flexible thinking. Offshore counterparts tend to rigorously follow instructions.

Two recent trends in global sourcing have been:

- 1 The movement offshore of IT-driven service sectors like banking, telecommunications and media (ie not just manufacturing)
- 2 Nearshoring rather than offshoring, for reasons of political pressure, high fuel costs, logistics and management control.

Global sourcing

✓ Benefits

Big reduction in labour costs

Superior service levels (eg 24-hour support)

Ability to undertake smaller (previously unprofitable) pieces of work

Improved access to skills

Synergy from working with a partner (eg a transformation of business processes arising from new ideas and new ways of working)

✗ Drawbacks

Complexity of communications between people of different cultures dispersed around the world

Extra transportation costs (oil prices affect shipping costs)

Extra costs (eg travel and living expenses) for offshore workers visiting the onshore offices

Issues of security of data and privacy when other companies get involved



Exercises

14.1 Find a word in the text opposite that matches each definition below. The words appear in order.

- a written statement of exactly how much money something will cost _____
- (two words) an organization's successes and failures over time _____
- extended periods of testing _____
- supplying the things that have been ordered _____
- money that you pay illegally and secretly to get something done; bribe _____
- secret activities of people who work together to do something dishonest _____
- (formal) process of inviting suppliers to bid for a contract _____
- documents for goods or work done _____
- the internal operations of an organization that are not accessible or visible to the general public _____

Now do the same for the words in 'Global sourcing' opposite.

- start to do a piece of work _____
- extra effects when people or businesses combine and work together _____
- disadvantages _____

14.2 Complete the sentences with the most appropriate word from the box.

estimate proposal quotation/quote tender

- If you tell someone how much a job will cost, and you limit yourself to that amount, then you give them a / an _____
- If you tell someone how much a job will cost, but you reserve the right to change the amount (eg if circumstances change or the work takes longer than expected), then you give them a / an _____
- If you produce a formal plan for a more complex project, telling the customer how you will carry it out and how much it will cost, then you make a / an _____
- If you do the same as in #3, but in response to a public invitation to bid for the job, and in competition with other similar companies, then you put in a / an _____

14.3 Complete the simplified explanation below with these words: sourcing, procurement, purchasing.

_____ = _____ + _____

14.4 Complete the words by adding a preposition at the beginning (as a prefix).

In a business context, we can use the word ¹ _____ shore to mean 'in / from another country', the word ² _____ shore to mean 'in / from your own country', and the word ³ _____ shore to refer to a country that is geographically close to your own, or to a region of your own country.



14.5 Study the words in lists A-E. Check any unknown words in a dictionary. Then answer the questions below.

- | | | |
|----------|---|-------------|
| A to | give (somebody), ask for, get, prepare, provide (somebody with), submit, accept | a quotation |
| B to | draw up, make, accept, consider, put forward, outline, reject, submit | a proposal |
| C to | invite, bid for, put something out to, announce, submit, put in, award, win | (a) tender |
| D a / an | key, external, large, foreign, leading, major, outside, overseas, principal, offshore | supplier |
| E a / an | lengthy, unsuccessful, protracted, fruitless, prolonged, unproductive | negotiation |

- Divide the words in list A, based on whether the supplier or customer does it.
1st group: _____
2nd group: _____
- Divide the words in list B, based on whether the supplier or customer does it.
1st group: _____
2nd group: _____
- Divide the words in list C, based on whether the supplier or customer does it.
1st group: _____
2nd group: _____
- Divide the words in list D, based on the meaning.
1st group: _____
2nd group: _____
- Divide the words in list E, based on the meaning.
1st group: _____
2nd group: _____

See page 147 for some discussion topics.

Read the extract from a meeting between three senior managers from different departments in an investment bank. Agustin (A) has some bad news to announce to his colleagues Brian (B) and Cecilia (C). Brian and Cecilia cannot believe what they're hearing!

A: Well, good morning, everyone.

B: Good morning.

C: Good morning.

A: You're probably wondering why I called this urgent meeting at such short notice. I have some bad news for you. We have a rogue trader.

B: Sorry, I missed that. Could you say it again?

A: I said we have a rogue trader. Like Nick Leeson at Barings and Jerome Kerviel at Société Générale. We have someone who has been trading beyond his authority.

C: Can I get this clear? You're saying that there has been fraud?

A: Yes, it appears so. On a massive scale. Two billion euros.

C: Sorry, how much did you say?

A: I said two billion euros.

B: How did you arrive at the figure of two billion?

A: It's just a guess.

B: What exactly do you mean by 'guess'? Don't you know?

A: The person involved was trading complex financial instruments. Derivatives. It's very difficult to estimate the losses.

C: Correct me if I'm wrong, but you seem to be saying that you have no clue what this person was trading and no clue how much money he has lost.

A: Please allow me to explain. I cannot know every detail of every transaction of every trader. I have spoken to the individual's line manager this morning, and the figure of two billion looks like a reasonable guess.

B: You mentioned that the person was trading complex derivatives. Could you be a little more specific?

A: At this stage, no.

B: So, in other words, you don't understand the trades. And probably the line manager doesn't understand either.

A: Perhaps I haven't explained myself clearly. What I meant was that we're investigating the matter. There are certain aspects of the trades that seem to have escaped our internal controls.

C: Could I just say something? I don't believe what I'm hearing! Does anyone in this place know what they're doing?

A: Can I just finish my point? What I was trying to say was that this is a very serious matter and I cannot blame individuals or go into details until we have proof.

B: I just hope that the media haven't found out about this yet.

A: There are three journalists waiting in my office.

- Notice the different ways to make things clear. At line 7 Brian asks for repetition. At line 12 Cecilia uses her own words to check (paraphrasing). At line 15 Cecilia clarifies an individual point.

The phrases you need

Ask for repetition

Sorry, I missed that. Could you say it again?

Sorry, I don't understand, can you explain that again?

Can you run through / go over that again, please?

Use your own words to check

So, in other words, ...

If I understand you correctly, ... Is that right?

Can I get this clear? You're saying that ...

Correct me if I'm wrong, but you seem to be saying that ...

Clarify individual points

Sorry, how much did you say?

Sorry, the project will start when?

What exactly do you mean by ...?

How did you arrive at the figure of ...?

You mentioned Could you be a little more specific?

Correct a misunderstanding

I'm sorry, that's not what I meant.

No, sorry, there's been a slight misunderstanding.

Perhaps I haven't explained myself clearly.

Reformulate

Please allow me to explain.

Let me put it another way, ...

What I meant was ...

What I was trying to say was ...

Get your turn to speak

Sorry, but ...

Can I come in here?

Could I just say something?

Can I just finish my point?



Exercises

58.1 Read the dialogue opposite aloud several times, then cover it with a piece of paper. Now try to remember some of the missing words below. Write your answers lightly at the side.

- Sorry, I _____ that. Could you _____ it again?
- Can I get this _____? You're _____ that there has been fraud?
- Sorry, _____ did you _____?
- How did you _____ at the _____ of two billion?
- What _____ do you _____ by 'guess'?
- _____ me if I'm _____, but you seem to be saying that you have no clue what this person was trading.
- Please _____ me to _____. I cannot know every detail of every transaction.
- You mentioned that the person was trading complex derivatives. Could you be a _____ more _____?
- Perhaps I haven't _____ myself _____. What I meant was ...
- Can I just _____ my _____? What I was trying to say was ...

After you have remembered whatever you can, use the pairs of words in the box below to complete the sentences.

allow / explain arrive / figure clear / saying correct / wrong
exactly / mean explained / clearly finish / point
how much / say little / specific missed / say

58.2 Fill in the missing letters.


- Sorry, I don't und _____. Can you e _____ n that again?
- Can you run _____ gh that again? (= explain quickly)
- Can you go _____ r that again? (= repeat it in order that I can understand it)
- No, sorry, there's been a sl _____ t misund _____ ing.
- Let me _____ it another _____ y.
- Can I c _____ here? (= enter the discussion / interrupt)

58.3 A team leader is speaking in a conference call, but a colleague (Bob) doesn't understand very well. Complete Bob's questions with the words in the box.

what when where which why
how long how much how often

- Team leader: This meeting today is just a quick briefing so that everyone understands their _____ before the project starts.
- Bob: Sorry, understands their _____?
- Team leader: Their roles. Yes, as I was saying, it's just a quick briefing – it'll only last around _____ minutes.
- Bob: Sorry, _____ did you say?
- Team leader: Around thirty minutes. OK, so the project will start at the beginning of _____.
- Bob: Sorry, the project will start _____?
- Team leader: At the beginning of March. And once it's running, we'll have to meet regularly, _____ a month.
- Bob: Sorry, _____ did you say?
- Team leader: Once a month. OK, _____ will be in overall charge of the budget.
- Bob: Sorry, _____ will be in charge of the budget?
- Team leader: Martha. If you have any travel expenses, please fill in form _____ and give it to her.
- Bob: Sorry, _____ form?
- Team leader: Form TE30. If you think you will spend more than _____, you should get my authorization first.
- Bob: Sorry, _____ did you say?
- Team leader: 400 euros. Copies of the form can be found on _____.
- Bob: Sorry, we can find them _____?
- Team leader: On the company intranet.

Notice how Bob asks for clarification in two ways. Sometimes he simply says 'Sorry: (question word) did you say?' Other times he includes in his question some words that he did understand.

58.5  **10 Speaking practice: listen and repeat. Repeat each phrase you hear and then listen to check.**

