ABSTRACT

INDUSTRIAL BUYERS: CRITICAL INCIDENTS WHICH DISTINGUISH BETWEEN EFFECTIVE AND INEFFECTIVE PURCHASING PERFORMANCE

By

Robert Irving Cook

This dissertation is designed to provide additional knowledge about the activities of personnel performing buying functions within the purchasing departments of industrial firms located in the United States. It is aimed at identifying and reporting what buyers are doing when they are considered to be effective, and what they are doing--or failing to do--when they are considered to be ineffective. Information on the age, experience, and education of such buyers is also examined for similarities and contrasts. A further purpose of this investigation is to determine the value of the critical incident technique as a research tool for developing data on buyer activities.

The need for such a study is related to the influence the purchasing function exerts on the operation of an industrial firm. This point is emphasized when it is

recognized that an average manufacturing firm spends approximately fifty percent of its sales dollar in buying goods and services from its suppliers. Unless these funds are used wisely, the financial standing of the firm can easily be in jeopardy. How well the funds are spent depends largely on the training and the ability of the buyers.

Further information indicating that this study of purchasing activities should be useful, was suggested when a search of the literature failed to reveal evidence that the critical incident technique had been used previously to identify the activities of industrial buyers.

The critical incident method was used in this research by asking members of purchasing associations to describe situations in which they had observed a buyer performing in a particularly effective or ineffective fashion. The incidents were then analyzed and the key statements were abstracted which reflected what the buyer was doing--or not doing--that caused him to be judged as successful or unsuccessful. These statements were then compared with a list of buyer activities which had been prepared from purchasing texts and discussions with purchasing professionals.

Three examples are provided here to illustrate the critical incident technique and its application in this research. In one incident an effective buyer was reported able to achieve a reduction in inventory, make a contribution

to improved safety, and bring a reduction in material handling costs which resulted in this comment: "Though the cost was 10 cents per ton more, the net savings annually amounted to $65,000." Another incident mentioned that engineering had only $10,000 budgeted for a machine, but believed that a $12,000 machine was best for the job. The statement was then made: ". . . purchasing negotiated the $12,000 machine down to $9,500." A final example will illustrate how ineffective performance was indicated. "The plant ran short of the most important raw material because the buyer did not properly schedule shipment releases from vendor, and monitor inventory, and coordinate with production control as he should have. . . . It was necessary to charter two airplanes to bring in enough material until truck shipment could arrive. Premium transportation costs in excess of $2,000."

A list of 28 activities was developed and proved sufficient to include all those which were cited in the incidents. Certain findings resulted from an examination of the 316 incidents. Some of the activities appeared more frequently with effective buyers, and some appeared more frequently with ineffective buyers. The activities associated with the effective buyers seemed to require extensive knowledge of products and their applications. They also indicated the buyer has an understanding of the needs of

product users and an ability to encourage suggestions and participation in problem solving by suppliers.

Ineffective buyers, on the other hand, are more likely to be involved with details, routines, and situations concerning authority and responsibility. It was also noticed that ineffective buyers tended to be younger, have less experience, and more of them had only a high school education.

The research indicates that effective buyers tend to be proficient in certain areas and suggests what those areas are. It also indicates what ineffective buyers are doing when they are deficient in their duties. Further, the study provides evidence of a relationship between buyer success and age, experience, and education.

The findings in this study may well conform to the beliefs of experienced purchasing personnel. What this research offers for the first time is empirical evidence that such intuitive beliefs are justified. The study provides a checklist on the activities of buyers which should be useful to purchasing managers. The information provided can be used in the selection of purchasing personnel and in reviewing their performance. It also supplies criteria which can be used as a guide for developing training programs to improve purchasing performance.

Another interesting aspect of this research was related to the education of buyers. Both types of buyers

had a large percentage of college graduates. Fifty-four percent of the effective buyers and 47 percent of the ineffective buyers were reported to hold degrees. Further study of this fact might be warranted to determine if the difference in the performance of college graduates might be linked to the major field of study, or to the entry level of the job-holder, or to differences in training opportunities available to the different buyers.

This study was intended to be exploratory and develop some additional knowledge of the purchasing function. Further investigation is recommended to confirm and enlarge on the findings of this research.

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DEDICATION

To my wife Barb and my family, whose patience, understanding, and reassurance were so necessary for the successful completion of this endeavor.

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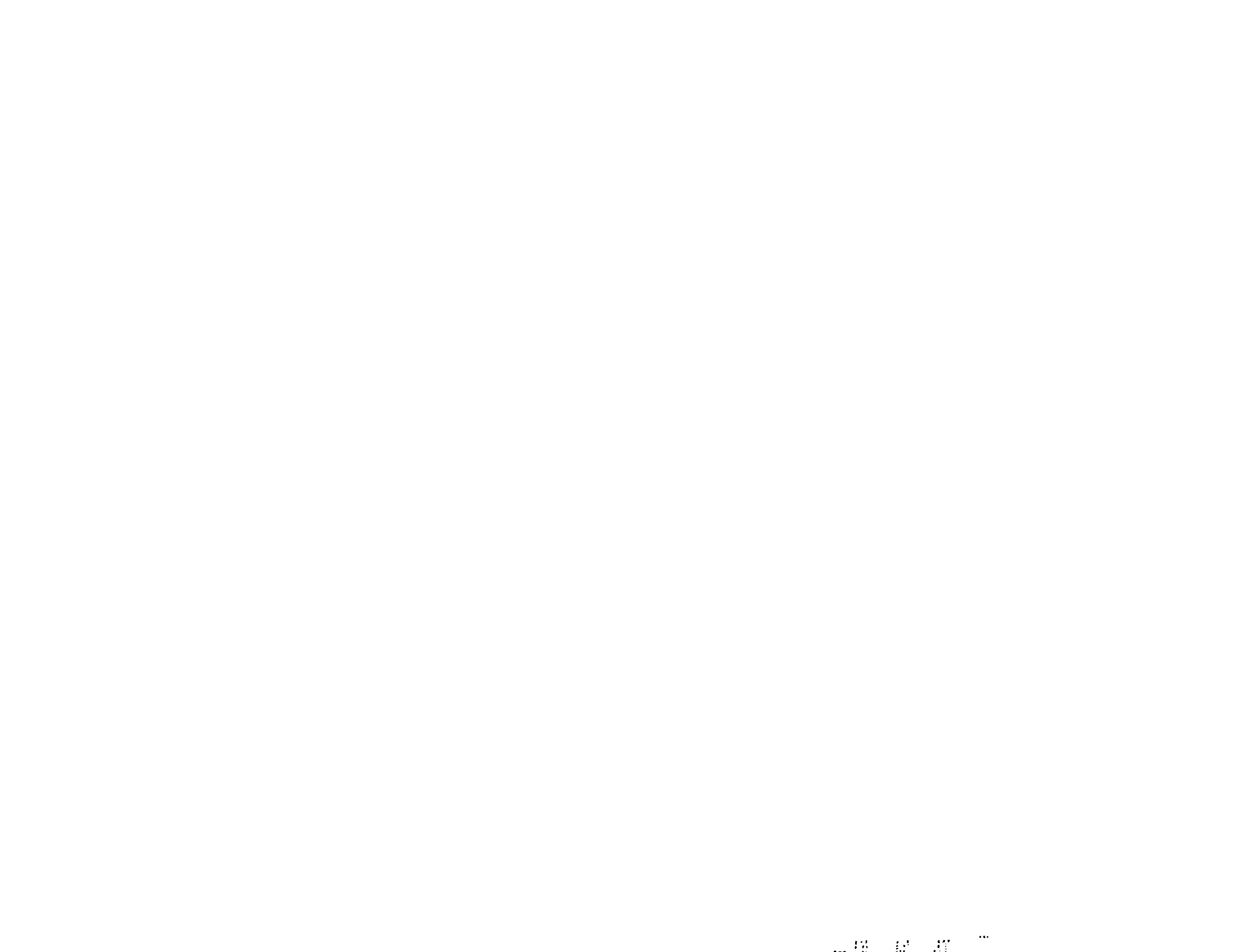
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CHAPTER I

INTRODUCTION

Among the many activities industrial buyers perform each day, some are likely to be more important than others. These are the key tasks and the manner in which they are performed is likely to influence the effectiveness or ineffectiveness of the buyers, the value of the purchasing organization, and ultimately, the well-being of the firm. It is on these important activities that the present research is focused. This emphasis in no way implies that less critical activities can be ignored or neglected. An example or two will clarify what constitutes such an activity. An item of minor concern might be a purchasing document which has not been filed in the proper sequence. Although purchasing personnel are expected to see that papers are filed properly, filing errors do occur. Such an error is usually easily corrected, is not considered a serious mistake, and does not interrupt the plant's operation. This is <u>not</u> critical. Contrast this with a situation where a buyer has failed to follow-up on an order for material needed in production and, because of this, the order will not arrive on time. In this case

serious financial loss could result, and the firm may suffer due to a faulty purchasing performance.

In the present investigation, then, ineffective buyers will be defined as those who fail to properly perform those activities that are significant. Those who perform activities successfully will be considered effective. This research is aimed at identifying pertinent activities associated with effective or ineffective buyer performance. A knowledge of these activities should be useful to all who are concerned with improving purchasing operations.

Need for the Study

Every firm has a better chance for success if its purchasing organization is functioning properly. Most firms spend such a large portion of their income for materials, parts and supplies, that purchasing expertise is essential for a profitable operation. The Purchasing Handbook, for example, mentions a survey by the National Industrial Conference Board (now called the Conference Board) which concludes that 55 cents of the sales dollar is spent for goods and services.[1] Lee and Dobler in their text discuss information provided by the First National City Bank of New York which indicates that the 100 largest non-financial

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[1]George W. Aljian, ed., Purchasing Handbook (2nd ed.; New York: McGraw-Hill, 1966), Section 1, p. 3.

corporations spend 51 percent of their sales dollars to purchase materials and supplies.[2] The potential impact of this relationship on a company's operations was noted in a Wall Street Journal article: "On average, 52 cents of every dollar brought in by a corporation goes back out for purchases; a bad buy can conceivably price a company's product out of the market."[3]

Victor Pooler stressed the leverage of the purchasing function when he commented:

> If the average company spends 53 percent of its sales dollar on goods and services, a company with a sales volume of $60 million would spend $31.8 million to cover the cost of purchased material, supplies, and services. At an average profit margin of 9 percent, it takes $6 million in sales to produce a profit of $540,000; yet, by a reduction of only 5 percent in the cost of purchases, this profit can be increased by 29 percent ($159,000).[4]

A former president of the National Association of Purchasing Management, whose company is engaged in aerospace work, told an audience:

> We fully recognize that 50 percent of our dollars are on the outside and we must maintain the same surviellance over our suppliers that we do inhouse. Otherwise we could lose our shirt, either financially,

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[2]Lamar Lee, Jr. and Donald W. Dobler, Purchasing and Materials Management (2nd ed.; New York: McGraw-Hill, 1971), pp. 9-10.

[3]James C. Tanner, "Canny Buyers," The Wall Street Journal, June 23, 1964, pp. 1, 14.

[4]Victor H. Pooler, Jr., The Purchasing Man and His Job (New York: American Management Association, 1964), pp. 19-20.

> schedule-wise, or performance-wise because of actions or lack of action on the part of the supplier. We can no longer afford to take this risk.[5]

Progressive firms recognize they cannot afford the risk of poor purchasing performance. If they spend about half of their income for purchasing various items, they insist that each buyer must invest the firm's funds wisely. Every buyer is expected to know his job thoroughly and to appreciate the relative importance of each of his daily tasks. A buyer who will invest several million dollars of the firm's capital must recognize that not all his activities require the same amount of time and effort. Some activities, the critical few, are worthy of continued study and attention. Buyers should benefit from knowing which of these activities are associated with effective performance and which are associated with ineffective performance.

Attempts have been made in the past to list the various job requirements for industrial buyers. Such studies have been concerned largely with quantitative investigations of what a buyer does. This has been accomplished by counting how many requisitions are acted upon, how many purchase orders are prepared, how many orders were expedited, or how many salesmen were

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[5] C. R. Raftery, "Meeting the Challenges to Professional Growth in Purchasing Today," The Logistics of Materials Management: Readings in Modern Purchasing, ed. by Paul T. McElhiney and Robert I. Cook (New York: Houghton Mifflin, 1969), p. 6.

interviewed.[6] Other studies have attempted to describe the necessary qualities of a buyer and have listed them in general terms such as honesty, enthusiasm, intelligence, dedication, etc.[7] These tabulations and characteristics usually give no indication that a certain few qualities might be of greater importance to a buyer than others.

This study is designed to acquire knowledge of buyer activities by obtaining empirical data related to several hundred buyers. Such a compilation would make it possible to construct a list of job requirements for the effective buyer and would overcome the limitations imposed by data from only two or three sources. This list would provide a group of activities associated with effective or ineffective purchasing performance using statements that have definite operational meaning.[8] Several references in the purchasing literature indicate that such a list would be a useful contribution to purchasing knowledge.

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[6]See the study by Robert Schmelzlee, "Work Study in Purchasing--A Case Study," Journal of Purchasing, February, 1967, pp. 42-51; also, see the report provided by J. H. Westing, I. V. Fine, and Gary Zenz in their text, Purchasing Management: Materials in Motion (3rd ed.; New York: Wiley, 1969), pp. 345-346.

[7]A list of such personal characteristics was presented in the booklet Purchasing As A Career (New York: National Association of Purchasing Agents, 1961), pp. 14-15.

[8]For a related, more general discussion, see Arthur Brayfield, "Human Effectiveness," American Psychologist, August, 1965, pp. 645-651.

For example, an article in Purchasing magazine comments on the need for defining the qualifications of a successful buyer: "Different jobs require different talents. The purchasing executive in his effort to develop a strong department, should understand the characteristics that make a good buyer."[9] Another article in discussing hiring the right man for the right job, stresses the need to know the job and its specifications in order to develop a profile of the characteristics required.[10] Further indication of the importance of purchasing and the need for trained, effective, personnel is found in this statement: "This is not the place to study the purchasing function intensively, but probably no other function can contribute more to an efficient manufacturing operation."[11] The interest in capable purchasing personnel is again emphasized with:

> Gone are the days when the purchasing agent was considered 'schooled' if he spent years in the stockroom learning the parts used in the production process. Today's purchasing personnel are increasingly college-trained, with job skills similar to those of other company executives and trained in the broader aspects of management concepts.[12]

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[9]Dr. Harry Sherman, "What Makes A Good Buyer?" Purchasing, April 4, 1968, pp. 46-48.

[10]Dr. Arthur Witkin, "How To Hire A Buyer," Purchasing, April 3, 1969, p. 68.

[11]James H. Greene, Production Control: Systems and Decisions (Illinois: Irwin, 1965), p. 156.

[12]J. H. Westing, I. V. Fine, and Gary J. Zenz, Purchasing Management: Materials in Motion (3rd ed.; New York: Wiley, 1969), p. 341.

The qualifications for purchasing positions are considered by the previous authors who continue:

> The qualifications for individuals who succeed in purchasing may conveniently be grouped into three categories--personal characteristics, educational background, and business experience.
>
> The personal characteristics that promise success in purchasing are no different from those in any other field of business. Any difference is likely to be in the importance attached to some of the characteristics.[13]

Another reason for investigating what it is that buyers do in the purchasing organization, is indicated by a leading purchasing authority: "Regardless of what policies, techniques or procedures a department may have, all the roles in the manual are useless without people to carry them out."[14] An earlier comment by the same author stated:

> The operations of an organization are dependent upon people to accomplish the tasks for which it is created. All too frequently the operation of the purchasing function has been less than fully effective because of lack of competence, proper training, or motivation of the personnel assigned to the purchasing department.[15]

From England's comments, it would seem worthwhile to undertake an examination of the factors contributing to the lack of competence, proper training, and motivation of buyers. Other writers have discussed the need for buyers knowing

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[13] Ibid., p. 347.

[14] Wilbur B. England, Modern Procurement Management: Principles and Cases (5th ed.; Illinois: Irwin, 1970), p. 859.

[15] Wilbur B. England, The Purchasing System (Illinois: Irwin, 1967), p. 140.

how to do their job. For example: "The ability to get the right people to perform the purchasing function can be just as important as getting the right material at the right price."[16]

It may be a simplification to state that capable personnel are needed in key jobs, but there is little information to date on the factors which distinguish the effective or capable buyer from the average, or from the ineffective buyer. How can these factors be discovered? Is it possible to identify them? The necessity for organizing such information is pointed out in a study of critical factors for salesmen: "If the critical factors can be identified, then selection and utilization of personnel can be greatly improved."[17] If it is true that "The single most important element in any organization is its people,"[18] then it would seem to follow:

> We must know what our job is, and what is expected of us. And equally important, we need to know what is not expected. Thus it is suggested that each department establish its own criteria based on answering these questions:

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[16]"Selection of Purchasing Personnel," Guide to Purchasing (New York: National Association of Purchasing Management, 1965), p. 2.2.1.

[17]Wayne Kirchner and Marvin D. Dunnette, "Identifying The Critical Factors in Successful Salesmanship," Personnel, September-October, 1957, pp. 54-59.

[18]"Evaluating Purchasing Performance," Guide to Purchasing (New York: National Association of Purchasing Management, 1965), p. 2.4.8.

> Do I know what I am supposed to be doing?
> Am I doing what is expected of me?
> Should I be doing more?
> Where and how can I improve?[19]

In order to obtain information that will be helpful in answering the above questions and in promoting a more effective purchasing operation it is proposed to investigate the following: (1) What are the skills which characterize an effective buyer? (2) What are buyers doing when they are considered effective in carrying out their assignments? (3) Does the absence of certain skills lead to poor performance? (4) What are buyers doing or not doing, when they are considered to be ineffective in carrying out their assignments? It is presumed that answers to these questions will supply a body of valuable operational material for purchasing personnel. Persons considering a career in the field will have an outline of job requirements; persons working in purchasing will be able to focus on improving themselves in the critical tasks; and purchasing managers will be able to enlarge their basis for selecting, training, and promoting capable personnel. Educational institutions and professional associations would find data on the critical activities of buyers useful in developing training objectives, curriculum patterns and course content. Those teaching purchasing should also find the information a rich source of instructional material.

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[19] Ibid., p. 2.4.7.

Purpose

It is the purpose of this study to add to the existing body of knowledge on buyer activities. The research will attempt to determine the critical activities which, when performed well, result in the buyer being described as effective. At the same time, the investigation will attempt to isolate the critical activities where poor performance results in the buyer being described as ineffective. Specifically the study is concerned with: (1) collecting reports of critical incidents involving buyers, from personnel actively engaged in the purchasing function; (2) identifying effective buyer activities from such incidents; (3) identifying ineffective buyer activities from the incidents received; and (4) investigating relationships between the age, experience, and education of buyers, and reports of their effective and ineffective activities.

Limitations of the Study

1. Scope: This study is limited to identifying those critical activities which determine the effectiveness or ineffectiveness of buyers. Procedures for the selection, training, promotion, or compensation of industrial buyers is outside the scope of the investigation. Also, the study is not an attempt to identify personal traits of buyers such as honesty, loyalty, dress, or speech, nor does the

research deal with the desirable characteristics for a manager of a purchasing organization.

2. Presentation: The counts which have been made, the percentages calculated, tests of data conducted, and results presented in the tables, are based only on replies received for this study. Extending them to the general population of buyers should be done with care. The study was limited by time and money, which did not permit a random sample to be made of the purchasing population. In all, the study is based on reports of purchasing situations involving 316 buyers employed by many industrial firms. These reports were provided by members of Purchasing Associations replying from 28 different states.

3. Anonymity of Respondents: Buyers were encouraged to provide information for the study by the assurance of confidentiality. There has been no effort to identify any company, the size of any firm or purchasing department, or the location of any firm.

4. Technique: There is no intent in this study to develop a new research technique. Reliance will be placed on the Critical Incident Technique as used by Flanagan[20] and the method of Content Analysis as discussed by Berelson.[21] Neither of these has been used in any

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[20]John C. Flanagan, "The Critical Incident Technique," Psychological Bulletin, July, 1954, pp. 327-358.

[21]Bernard Berelson, Content Analysis in Communications Research (Glencoe, Illinois: Free Press, 1952).

previous studies aimed at identifying the critical activities of buyers. This study intends to test the feasibility of the critical incident method for analyzing purchasing activities.

Definitions of Terms Used

Action: What a buyer did during a critical incident.

Activity: A category for several similar actions of buyers.

Buyer: A person in the purchasing department who has responsibility for buying one or more items needed by his firm.

Communicate: To transmit and receive information. The ability to reach an understanding with another. To send and receive messages.

Content Analysis: A research technique used to examine reports, incidents, texts, newspapers, television presentations, movies, sporting events, etc., for the purpose of classifying and tabulating certain data of interest that is contained in the material.

Coordinate: The act of bringing about agreement, harmony, unity of purpose between diverse persons or groups.

Critical Incident: A description by an observer of a significant purchasing situation. An event or happening in which the buyer's action produced an effective or ineffective outcome.

Effective Buyer: One who performs a purchasing activity in a successful manner.

Industrial Purchasing: The group of activities surrounding the securing of materials, supplies, services, goods, or equipment, that will be consumed or converted by a firm.

Ineffective Buyer: One who fails to perform a necessary purchasing activity, or performs it inadequately.

Negotiate: To reach understanding and agreement on a purchasing transaction through discussion and exploration of the issues.

Observer: A person actively involved in the purchasing operation who is in a position to report on his own actions or those of others.

Operational: Refers to actual observed job conditions.

Purchasing Effectiveness: The kind of behavior a supervisor might refer to as an example of purchasing skill, or the type of buying activity which would bring favorable comments from a buyer's peers.

Purchasing Ineffectiveness: The kind of behavior a supervisor might refer to as an unsatisfactory example of purchasing effort, or the type of buying activity that would bring unfavorable comments from a buyer's peers.

Organization of the Study

Chapter II, "Literature Review," summarizes the literature relative to job activities of industrial buyers. In Chapter III, "Research Design," the procedures are described which were used to gather and analyze the data on which this research is based. Chapter IV, "Activities of Effective Buyers," presents data on buyers' actions when they effectively execute their job assignments, and combines the similar actions into activities. A summary is also provided of the age, experience, and education of the effective buyers in this sample. Chapter V, "Activities of Ineffective Buyers," presents data on their actions when they fail to successfully complete their tasks and combines the similar actions into activities. A summary is also provided of the age, experience, and education of the ineffective buyers in this sample. Chapter VI, "A Comparison of Effective With Ineffective Buyers," sets forth the similarities and differences in the critical activities of buyers as well as their age, experience, and education. Finally, Chapter VII contains the summary and conclusions of this study, the likely applications, and the need for further research.

CHAPTER II

LITERATURE REVIEW

In this chapter a review is made of literature relating to the activities associated with purchasing performance. Included are references to significant books that have been written on purchasing as well as a sampling of articles and research reports treating the topic of buyer performance.

Purchasing Literature Prior to World War II

An awareness of the need for competent buying specialists was evident even before the start of this century. Personnel were needed who devoted their full time to purchasing, and it was necessary for them to recognize that certain operations were more likely than others to reduce expenses or increase operating efficiencies. Fearon and Hoagland in their publication refer to a book written in 1887 by Marshall M. Kirkman, who commented on the need for capable personnel to fill purchasing positions which were:

> Too often looked upon as one that any man with ordinary intelligence can fill acceptably, a position at once agreeable and measureably lucrative, but not of great importance. No greater mistake could be

> made. . . . To be able to buy its supplies at the lowest possible figure is of enormous value to a company, and a capable purchasing agent, it is probable, can save his employer a greater sum through the exercise of experience and intelligence, than any other officer of like grade.[1]

Even at this early date for American industry, Kirkman recognized the danger in regarding the buying function as simply a clerical operation, one which was of little importance and which could be filled by practically any employee. Kirkman, of course, was writing about purchasing for railroads at a time when they had been expanding across the continent and spending considerable sums for rolling stock and equipment. His book which appeared prior to the Spanish-American War, the Sherman Anti-Trust Act, and before Ford or Olds had operated their first car, indicated the potential of proper purchasing techniques and the necessity for competent personnel. His reference to possible savings from buying better value by experienced, intelligent, purchasing employees would be rediscovered and repeated many times by others in the years to follow.

A continuing interest in purchasing and the job of the buyer is shown by three books which were published in

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[1]Marshall M. Kirkman, The Handling of Railway Supplies--Their Purchase and Disposition (Chicago: Charles N. Trivess, 1887), Preface and pages 40 and 42; Quoted in Harold E. Fearon and John H. Hoagland, Purchasing Research in American Industry (New York: American Management Association, 1963), Research Study 58, pp. 21-22.

1915 and were referred to in a Journal of Purchasing article.[2] The article includes a quotation from H. B. Twyford concerning the need for the buyer to know his materials and his vendors:

> It has been stated that there is no such thing as scientific buying, but that good buying is the result of intuitively knowing when and how to do it, which, with a combination of luck, makes a successful buyer. It can be admitted that with this equipment a successful gambler may be evolved, but intuition is too vague a qualification for the purchasing agent of any establishment, large or small. There is a great deal more necessary in the make-up of any man who is in charge of such work as is being considered here. He must have good judgment, be well balanced, shrewd, sagacious, and well fortified with the knowledge which he can scientifically accumulate; this, broadened and improved by a close study of local and national conditions, will make a purchasing agent a valuable asset to any concern.[3]

The publication in one year of three books on the subject of purchasing indicated that the function was becoming recognized and a body of knowledge about it was being formed. The job of a buyer was also receiving attention and there was a growing appreciation for the fact that proper buying performance improved the operation of a firm.

Dinsmore, in a book brought out in 1922, referred to the buying knowledge that a purchasing agent should possess in order to secure the best value for his firm:

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[2]Harold E. Fearon, "Historical Evolution of the Purchasing Function," Journal of Purchasing, February, 1968, pp. 43-59. The books are: Materials and Supplies, The Factory Management Series (Chicago: A. W. Shaw Co., 1915); C. S. Rindsfoos, Purchasing (New York: McGraw-Hill, 1915); H. F. Twyford, Purchasing--Its Economic Aspect and Proper Method (New York: Van Nostrand Co., 1915).

[3]Twyford, op. cit., p. 26.

> Just so, the whole technique of exchanging dollars for commodities might be summed up as the ability to find sources and materials that will secure for the purchasing agent's firm the greatest ultimate value; coupled with clean cut integrity, and a knowledge of the laws governing the action and reaction of economic factors which regulate supply and demand, and so fix prices. If you will add the knowledge of how to find authoritative information concerning any problem and a genuine liking for people, you have the specifications for a successful purchasing agent.[4]

During the Twenties an increasing number of books devoted to purchasing quickly followed Dinsmore's publication. Helen Hysell's The Science of Purchasing appeared in 1922;[5] Purchasing by Mitchell in 1927;[6] Harriman's Principles of Scientific Purchasing, in 1928;[7] and the text by Gushee and Boffey, Scientific Purchasing, in 1928.[8] Boffey was well-known as a purchasing writer prior to this time, having been founder and editor of the Purchasing Agent in July of 1916.[9] This publication was the official organ of the National Association of Purchasing Agents (later to be known as the

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[4]John C. Dinsmore, Purchasing: Principles and Practices (New Jersey: Prentice-Hall, 1922), pp. 1-2.

[5]Helen Hysell, The Science of Purchasing (New York: Appleton, 1922).

[6]William N. Mitchell, Purchasing (New York The Ronald Press Co., 1927).

[7]Norman F. Harriman, Principles of Scientific Purchasing (New York: McGraw-Hill, 1928).

[8]Edward T. Gushee and L. F. Boffey, Scientific Purchasing (New York: McGraw-Hill, 1928).

[9]Paul V. Farrell, Fifty Years of Purchasing: The Story of N.A.P.A. (New York: National Association of Purchasing Agents, 1954).

National Association of Purchasing Management) which had been established in 1915. This would be one of many publications by the National Association of Purchasing Management intended to stimulate interest in the purchasing profession, to raise its standards, and to educate purchasing personnel in the intricacies of their jobs.

Professor Howard T. Lewis of the Harvard Business School published his text Industrial Purchasing in 1933.[10] It was introduced under the auspices of the National Association of Purchasing Agents and was intended to extend the educational work of that organization. Earlier, Lewis had published a group of purchasing cases under the title Problems in Industrial Purchasing, and he was to become a prolific writer in this field.[11]

Purchasing Literature Since World War II

Lewis seems to have been about the only author of a purchasing text from 1930 until 1945 when Cady's book appeared.[12] Another author was Stuart Heinritz whose book was published in 1947.[13] Heinritz was already well-known

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[10] Howard T. Lewis, Industrial Purchasing (New Jersey: Prentice-Hall, 1933).

[11] Howard T. Lewis, Problems in Industrial Purchasing (New York McGraw-Hill, 1930).

[12] E. L. Cady, Industrial Purchasing (New York: Wiley, 1945).

[13] Stuart F. Heinritz, Purchasing (New Jersey: Prentice-Hall, 1947).

in the procurement publishing field as the editor of Purchasing magazine. Lewis continued his efforts with two publications, one in 1945, and one in 1948.[14] In his 1948 book, Lewis discussed the scope of the industrial buyer's task and a common misconception concerning the buyer's role:

> Among certain groups of people, there exists a very general impression that the primary task of any industrial buyer is that of securing goods at the lowest possible price obtainable. Some of these people conceive of the purchasing director's function as that of receiving from some department of the company with which he is connected, a requisition calling for a certain quantity of materials or supplies, the quality of which is specified for him. They believe that the requisition is not subject to review and, therefore, that his only work is to locate a source from which this particular shipment may be obtained at the lowest price. They further believe that the buyer follows the practice of using every means within his power to get a low price. To these persons, considerations of quality and of service not only are beyond the province of the buyer, but are matters in which he has no interest. . . . If management gives to the procurement officer no larger place than that of a routine price buyer, then one can scarcely condemn the occupant of such a position for doing only the thing expected of him.[15]

In the above excerpt, Lewis implies the buyer must know his job and do it well, and in order to do it effectively it is necessary for other personnel in the firm to recognize what his potential contribution is.

An article appearing in Fortune during 1946 revealed that people outside of purchasing were interested in the buyer and his job:

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[14]Howard T. Lewis, Selected Class in Industrial Purchasing (Illinois: Irwin, 1945); also: Howard T. Lewis, Procurement (Illinois: Irwin, 1948).

[15]Lewis, op. cit., pp. 140-141.

> . . . he may telephone as many as fifty supply houses to place or confirm orders. In these days of shortages it is sometimes impossible to get such things as I beams the right length or wire the right gauge. It takes a lot of shopping around, a lot of figuring on substitutes and makeshifts. There is more to being an assistant purchasing agent than just ordering sixteen-foot stringers or a gross of paper clips. He must be familiar with steel production and prices; for example, he must know the relative values of creosoted longleaf yellow pine and red cedar for utility poles; and he must, of course, know the merits of all the supply houses and mills. . . .[16]

The previous description of a day in the life of a buyer bears out Kirkman's comment made in 1887 and mentioned earlier in this chapter, that a capable buyer has the opportunity to save his employer a considerable sum of money.

The Fifties saw a continuation of publishing activity with Heinritz and Lewis revising their texts; Westing, and McMillan introducing new books, and the appearance of a purchasing handbook.[17] Articles on purchasing and buyers were appearing with growing frequency in a varied group of

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[16]"White Collar Man," Fortune, June, 1946, p. 124 plus.

[17]Stuart Heinritz, Purchasing: Principles and Applications (2nd ed.; New Jersey: Prentice-Hall, 1951); Howard T. Lewis, Procurement: Principles and Cases (Revised; Illinois: Irwin, 1952); J. H. Westing, et al., Industrial Purchasing (New York: Wiley, 1955); Howard T. Lewis, Procurement: Principles and Cases (3rd ed.; Illinois: Irwin, 1957); George W. Aljian, ed., Purchasing Handbook (New York: McGraw-Hill, 1958); Stuart F. Heinritz, Purchasing: Principles and Applications (3rd ed.; New Jersey: Prentice-Hall, 1959); A. L. McMillan, The Art of Purchasing (New York: Exposition Press, 1959).

business-oriented publications.[18] The American Management Association also became more aware of the purchasing function in this period.[19] It soon began sponsoring studies, books, and educational seminars for buyers and managers.

The publishing of purchasing books quickened in the Sixties, with the writings of Colton, Westing, Hodges, Lewis, Berry, Pooler, Lee and Dobler, Heinritz, England, Anyon, and Nelson.[20] Aljian brought out the second edition of the Handbook.[21] In 1969, the first collection of readings

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[18]"Industrial Procurement and Marketing," Harvard Business Review, September, 1950, pp. 49-58; "Marketing Research From the Standpoint of the Industrial Buyer," Journal of Marketing, July, 1950, pp. 14-20; "Aspects of Competent Purchasing," American Water Works Association Journal, April, 1950, pp. 375-380; "How Industry Buys," Industrial Marketing, October, 1950, pp. 38-39. "Ford Vice-President Duffy: He Pilots $2 Billion Worth of Buying," Business Week, August 2, 1952, pp. 119-122; "What Makes Production Procurement Click," SAE Journal, October, 1953, pp. 42-44; "Evaluating The Effectiveness of Purchasing," Management Review, June, 1955, pp. 404-406.

[19]Purchasing for Profit, Manufacturing Division, American Management Association, 1958.

[20]C. O. Nelson, Missile and Aircraft Procurement Management (New York: Vantage Press, 1961); J. H. Westing, et al., Industrial Purchasing (2nd ed.; New York: Wiley, 1961); Dean S. Ammer, Materials Management (New York: Irwin, 1962); Henry G. Hodges, Procurement (New York: Harper, 1961); G. J. Anyon, Managing an Integrated Purchasing Process (New York: Holt, 1963); Harold A. Berry, Purchasing Guide, National Foremen's Institute, 1964; Victor H. Pooler, The Purchasing Man and His Job, American Management Association, 1964; Lamar Lee, Jr. and Donald W. Dobler, Purchasing and Materials Management, McGraw-Hill, 1965; Stuart F. Heinritz, Purchasing (4th ed.; New Jersey: Prentice-Hall, 1965), W. B. England, The Purchasing System (New York: Irwin, 1967); J. H. Westing, et al., Purchasing Management: Materials In Motion (3rd ed.; New York: Wiley, 1969).

[21]George W. Aljian, ed., Purchasing Handbook (2nd ed.; New York: McGraw-Hill, 1966).

devoted to purchasing appeared.[22] It was in this period that the American Management Association sponsored several studies on purchasing activities.[23] In the forefront of this activity on purchasing, was the National Association of Purchasing Management, formed in 1915 as the National Association of Purchasing Agents. From its beginning, the Association operated for the improvement of its members by preparing and disseminating a variety of educational items.[24]

The American Management Association continued the interest it had shown in purchasing during the Fifties and Sixties by publishing Barlow's book for new buyers in 1970, and by sponsoring a study on the evaluation of purchasing operations.[25]

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[22]Paul T. McElhiney and Robert I. Cook, eds., The Logistics of Materials Management: Readings in Modern Purchasing (Boston: Houghton-Mifflin, 1969).

[23]G. H. Hass, et al., Purchasing Department Organization and Authority, American Management Association, 1960; Harold E. Fearon and John H. Hoagland, Purchasing Research in American Industry, AMA Research Study 58, American Management Association, 1963; F. A. Hayes and George A. Renard, Evaluating Purchasing Performance, AMA Research Study 66, American Management Association, 1964.

[24]These materials include audio-visual aids; program aids; the Guide to Purchasing, which is a collection of research articles and informative purchasing items; the Journal of Purchasing; excerpts from doctoral dissertations sponsored by the Association; and certain booklets. A list of these materials is available from The National Association of Purchasing Management, 11 Park Place, New York, N.Y. 10007.

[25]C. Wayne Barlow, Purchasing for the Newly Appointed Buyer, American Management Association, 1970; Jeremiah Cantor, Evaluating Purchasing Systems, American Management Association, 1970.

In 1971, a new edition of Lee and Dobler was published.[26]

In all the purchasing literature reviewed to the Seventies, there is a recurring theme expressed earlier by Kirkman, Dinsmore, Lewis, and other authors. It has to do with the importance of the buyer and the need for him to know his duties. In addition, he must perform them well so the purchasing operation can maximize its contribution to the objectives of the firm. There is a growing appreciation of the systems concept and the fact that purchasing is a part of the system which is the firm, and purchasing must relate with groups both inside and outside the firm. The substance of the literature for the purposes of this study is contained in Lee and Dobler's reference to the purchasing department:

> Successful departmental operation is largely dependent upon two broad factors: (1) organization, operating policies and procedures; and (2) personnel. Incompetent personnel, inadequately trained personnel, or inappropriately placed personnel can render an organization completely ineffective, regardless of the soundness of its underpinnings. Purchasing executives, therefore, should give prime consideration to the total management of purchasing manpower.
>
> Clear-cut definition of job assignments and preparation of job descriptions constitute the first step in sound manpower management. . . .[27]

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[26] Lamar Lee, Jr. and Donald W. Dobler, Purchasing and Materials Management (2nd ed., New York: McGraw-Hill, 1971).

[27] Ibid., p. 559.

Purchasing literature frequently refers to the advantages of proper position descriptions and adequately trained personnel. The Purchasing Handbook provides several examples of purchasing job descriptions.[28] Westing supplies some general job descriptions for several purchasing positions and lists duties for a typical buyer with the percentage of time devoted to each.[29] Lee and Dobler furnish typical descriptions for a manager, buyer, purchasing agent, and expediter.[30]

Following World War II, purchasing literature was enriched with the establishment of two more periodicals to join Purchasing magazine in providing topical materials for purchasing personnel. By 1958, McGraw-Hill was publishing Purchasing Week, which was intended to present information on all phases of purchasing, and in 1965, the National Association of Purchasing Managers sponsored the Journal of Purchasing for the following purposes:

> Articles in the Journal present concepts from business, statistics, economics, engineering, behavioral science, or any discipline which contributes to the advancement of knowledge in business or governmental purchasing, materials management, or related areas. These articles discuss theories, principles, or philosophies; analyze business, economic, political, or social issues and trends; describe and evaluate

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[28] Aljian, op. cit., Section 23, pp. 6-13.

[29] Westing, et al., op. cit., pp. 342-347.

[30] Lee and Dobler, op. cit., pp. 535-538.

techniques and practices; examine legal considerations; or report relevant research.[31]

Until the appearance of the Journal of Purchasing empirical literature dealing with purchasing activities was quite limited. Most of the references to what a buyer does had been based on personal observations, expert opinions or studies restricted to a department, plant, or firm.

For example, a 1957 article "How Do Purchasing People Spend Their Time?" discussed the ratio-delay method of sampling activities, but it did not include any actual data.[32] "How Effective Are Your Buyers" appeared in 1959 and pointed out that evaluation of buyers requires defining their job requirements. The author's opinion of what were basic elements for buyer performance were stated as: (1) personal qualities, and (2) professional competence.[33] A 1962 article reviewed how to prepare a job description.[34] It mentioned that 58 percent of the purchasing personnel

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[31]"Journal of Purchasing Soon Begins 9th Year," Purchasing Educator's Newsletter, December, 1972, p. 3.

[32]"How Do Purchasing People Spend Their Time," Purchasing, September, 1957, pp. 87-89.

[33]"How Effective Are Your Buyers," Purchasing, August 3, 1959, pp. 68-70 plus.

[34]John V. Hickey, "Purchasing and Job Descriptions," Purchasing, December, 1962, pp. 70-74.

responding to a survey used job descriptions in their department, but there is no indication of how many individuals were in the survey. These articles gave no indication that some of the buyer activities listed were of relatively greater importance than others.

A research study sponsored by the AMA was more thorough.[35] Two hundred and one firms responded to a questionnaire on evaluating purchasing department performance. A list of 65 criteria was developed, one of which was . . . "Adequate, qualified, trained personnel should be available." The authors commented that the appraisal of personnel was . . . "a subject that merits an entire study." The Appendix of that report includes an exhibit "Standards for Rating Buyer Performance" that was used by the Detroit Edison Company. Buyers were rated on three general criteria: (1) personal traits, abilities, aptitudes; (2) purchasing knowledge and skills; (3) relationships with people. These three were broken into 39 sub-categories each of which carries a point value. One of the items is "personal appearance" and has a range of points from one through six. Another item refers to knowledge of supplier's key personnel and has the largest point spread, 1-40. It is interesting to note that of the 39

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[35]F. Albert Hayes and George A. Renard, Evaluating Purchasing Performance, AMA Research Study 66, American Management Association, 1964.



items, only two have a possible value of 30 or more. In fact, if a buyer got the highest rating on those items--or less than one percent of the items, he would receive 70 points or nearly 11 percent of all possible points.[36] Although this study provides higher point values for some criteria than others, there is no reason given for the different values that were assigned.

In 1966 the Conference Board Record reported:

> Purchasing procedures and techniques have undergone changes during the last five years in eight out of ten of the 164 manufacturing companies participating in the month's Survey of Business Opinion and Experience.[37]

The article mentions that as a rule, the responding firms wanted to increase the productivity of their purchasing personnel and perform the purchasing function more effectively.

Allhiser was interested in buyer performance and investigated how a purchasing manager could improve the effectiveness of his subordinates. He distributed questionnaires to 4,869 men and received 2,255 replies. This comment was made on job description:

> Fifty-two percent of the managers indicated job description as a vehicle which enabled them to better identify responsibilities and authority for a position. Obviously, if a subordinate has a clear understanding and knowledge of the job and its requirements, the relationship of the job and its relative position in

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[36]The criteria worth 30 points was "Dollar Savings."

[37]"Making Purchasing More Effective," The Conference Board Record, December, 1966, p. 28.

> the total organization of which it is a part, he will be able to accomplish his job more successfully.[38]

The work load of buyers and clerks in a purchasing department was studied by Schmelzlee.[39] He interviewed individuals and asked them to keep a daily running record of their activities. His summary of the activities for production buyers is shown as Table 1.

TABLE 1.--Time Spent Daily for Seven Buyers in Production Purchasing.

Activity	Hours Daily
With contracts and negotiations	30.45
Expedite	6.60
Salesmen	5.75
Vendor records	4.75
Seeking sources	3.50
Supervision	2.90
Library maintenance	1.13
Reading journals	.92
Vendor evaluation	.25
	56.25

Pinkerton used personal interviews with 75 practioners and 15 purchasing educators plus 65 mail questionnaires from

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[38]Norman C. Allhiser, "Development of Subordinates in Purchasing Management," Journal of Purchasing, May, 1966, p. 39.

[39]Robert Schmelzlee, "Work Study in Purchasing--A Case Study," Journal of Purchasing, February, 1967, pp. 42-51.

purchasing instructors for his study of purchasing functions, education, and training.[40]

He examined 38 sets of job descriptions and reported the job of senior buyer to be the key position in any purchasing operation.

A study by Heizer is reported here because it uses a research design similar to the one adopted for this study. Heizer's purpose was to investigate what purchasing managers did when they were effective and whether there was a difference when they were ineffective.[41] He selected 15 categories of manager behaviors that were considered significant for effective manager performance and used the critical incident technique to obtain actions which could be placed in one of the previously determined categories. Heizer concluded in his study including purchasing managers:

> . . . that a large proportion of the critical aspect of the purchasing manager's job is dependent upon his prowess in the areas of technical competence, communication, external environment, and coordination.[42]

Summary

Since before the turn of the century purchasing has been recognized as a function with profit potential for

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[40]Richard L. Pinkerton, "What the Experts Think About Purchasing, Materials Management Functions, Education and Training," Journal of Purchasing, August, 1970, pp. 54-67.

[41]Jay H. Heizer, "Effective and Ineffective Actions of Purchasing Managers," Journal of Purchasing, August, 1971, pp. 11-23.

[42]Ibid.

progressive firms. A review of the literature in this field reveals continuing comments on the need for competent buyers who are able to secure needed materials with terms that provide the greatest ultimate value. Books on purchasing began to appear, referring to the duties and responsibilities of buyers. The policies and procedures for proper buying were mentioned more frequently. Articles on procurement appeared in periodicals which were intended not only for purchasing personnel, but for engineers, executives, technicians and those engaged in marketing.

Various organizations and individuals directed their research efforts toward identifying the buyer's role in business. Studies were instituted to determine the duties and characteristics necessary for proper performance of the purchasing function.

The critical incident technique, which is the research tool employed in this study, appears only once in the purchasing literature reviewed, although it has been in use for at least thirty years in many other areas. A study using this technique was employed by Heizer to investigate the activities of purchasing managers, but he did not extend his inquiry to buyers.

The examples of job descriptions and buyer duties uncovered in this literature search did not find any listing by priorities. There seems to have been no reference to the possibility that some things buyers do may be more important

than others. One of the objectives of this study is to ascertain whether some buyer activities are critical, that is, if some are associated with effective performance and if some are associated with ineffective performance. If this information can be obtained, it will be an addition to the present body of purchasing knowledge.

CHAPTER III

RESEARCH DESIGN

This research was conducted with the intention of identifying activities of industrial buyers that are critical in determining their effectiveness or ineffectiveness when carrying out purchasing assignments. It was believed the study would contribute to a better understanding of the buyer activities which significantly affect purchasing success or failure. In order to acquire such information, a procedure was sought which would supply empirical data and yield specific examples of critical buyer activities.

The General Approach

Several approaches were considered as possible means for obtaining information on the critical activities for effective purchasing. One method would involve collecting indicators of activities such as the number of items for which a buyer was responsible, or the number of dollars spent, or the number of purchase orders written. This provides an idea of what a typical buyer does, but sheds little light on why he is, or is not, successful. It provides little basis for determining how well the duties must be performed in order to result in effective purchasing behavior.

Another method might be to ask purchasing personnel for answers to the question: "What are the factors that distinguish the effective buyer from one who is ineffective?" This approach has the advantage of providing empirical data derived from personnel who can evaluate on-the-job work situations. It also has the disadvantage of providing generalized statements on traits or characteristics such as maturity, resourcefulness, and the ability to communicate. Replies to such a question could be based on hunches or opinions which were influenced by the respondent's personal likes or dislikes. This method is criticized for lacking the necessary objectivity.[1]

A third method considered was used of a check list composed of questions or statements of a closed form which permit only certain responses such as yes, no, agree, disagree, or a selection from multiple choices. Closed questions or statements of this type are easy and quick for the respondent to answer. They require little of his time or effort. The results of such a list are relatively easy to count, categorize and analyze.[2] Objections to the use of closed questions include the loss of knowing how the respondent would express himself--just what words and statements he

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[1]For a discussion of various means of obtaining information, see Paul E. Green and Donald S. Tull, Research for Marketing Decisions (2nd ed.; New Jersey: Prentice-Hall, 1970), pp. 141-168.

[2]Walter R. Borg, Educational Research: An Introduction (New York: McKay, 1963), pp. 206-210.

would use if able to reply freely. This method forces him to choose between the alternatives presented and does not allow him to state his views.

The forced-choice type of questionnaire means that only the items that occur to the preparer are used. If he lacks the experience or knowledge of what the "right" items should be, or how many are needed, or if he prefers some, rather than others, bias will be introduced.[3] With this method, the critical items to be considered are determined in advance and the respondent indicates which of the alternatives he favors.

The free response or open end type of statement was selected for use in this research. Its value lies in the richness of the responses available. There are few restrictions on the answer to be given, the words and statements are those of the respondent, and he emphasizes or minimizes events as he sees them letting his thoughts follow what he considers to be important. The critical incident technique which encourages the use of open end questions was chosen as the instrument to collect information for this study.[4]

In this research procedure, individuals knowledgeable in the area being studied are asked to describe a situation

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[3]A. N. Oppenheim, Questionnaire Design and Attitude Measurement (New York: Basic Books, 1966), pp. 40-44.

[4]John C. Flanagan, "The Critical Incident Technique," Psychological Bulletin, July, 1954, pp. 327-358.

or incident which illustrates particularly effective or ineffective behavior. The approach differs from those which simply ask for a description of an effective person or of his effective characteristics. It has been used to obtain data on the requirements for air crew personnel;[5] to identify qualities of teaching competence;[6] the qualifications for physical education instructors;[7] requirements for nurses;[8] the evidences of clinical competence for physicians;[9] and more recently, to establish the critical behaviors of managers.[10]

It was believed that this approach would facilitate collection of reports about particularly effective or ineffective buyers from individuals closely associated with

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[5]John C. Flanagan, ed., "The Aviation Psychology Program in the Army Air Forces," Army Air Forces Aviation Psychology Program Research Report No. 1 (Washington, D.C.: U.S. Government Printing Office, 1947).

[6]Alfred C. Jensen, "Determining Critical Requirements for Teachers," Journal of Experimental Education, September, 1951, pp. 79-86.

[7]Lane Burton Blank, "Critical Incidents in the Behavior of Secondary School Physical Education Instructors," The Research Quarterly, Vol. 29, No. 1 (1957), pp. 1-6.

[8]Alfred C. Jensen, "Determining Critical Requirements for Nurses," Nursing Research, Winter, 1960, pp. 8-12.

[9]John P. Hubbard, et al., "An Objective Evaluation of Clinical Competence," The New England Journal of Medicine, June 24, 1965, pp. 1321-1324.

[10]Jay H. Heizer, "A Study of Significant Aspects of Manager Behavior" (unpublished Ph.D. dissertation, Arizona State University, 1969).

and concerned about the buying process. These reports, or critical incidents, provide the detailed data used to determine those activities associated with effective or ineffective performance. The activities are related to statements which describe what a buyer was doing at the time when he was considered to be effective or ineffective.

Each activity appearing in the study was considered from three operational viewpoints: (1) the effective person did it well; (2) the ineffective person failed to do it, or (3) he did it poorly. Those activities that were done well were considered to have a positive effect on the outcome of the incident. If the activity was performed poorly, or its performance was omitted, it was considered negative. The concept is indicated in Figure 1.

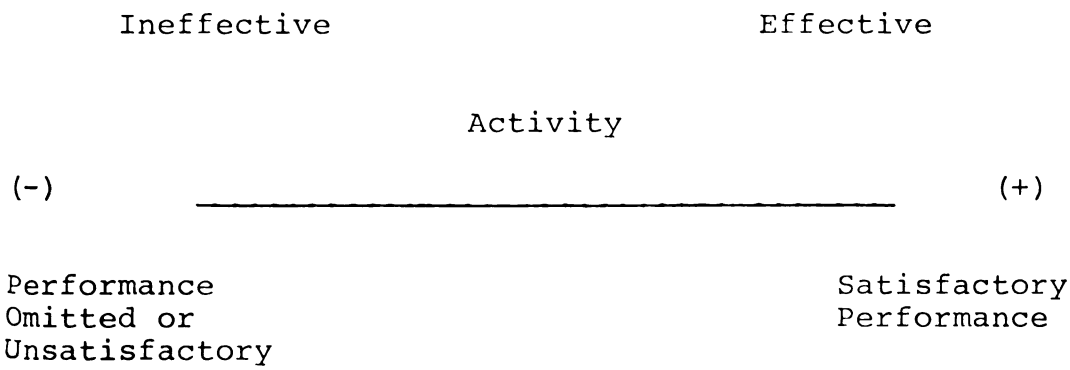


Figure 1.--Buyer Activity and Performance.

This approach deliberately overlooks those features of buyer behavior which appear to be carried out in an acceptable manner by most buyers most of the time. It does not mean such work is inconsequential, but the intent of

the study is to include only those activities that observers judge to be unique in differentiating between effective and ineffective buyers. Since the value of the critical incidents reporting on performance will depend largely on the competence of the observers, it was decided to ask members of the purchasing team to make the decisions. Buyers and purchasing agents have been placed in positions of responsibility by their firms and deal with purchasing problems every day. Therefore, for the purposes of this study, they have been considered qualified to make the necessary judgments and statements on effective or ineffective purchasing performance for the purposes of this study.

Procedure for Gathering Data

The format for gathering data consisted of three phases: (1) the pilot study, (2) the survey materials, and, (3) selection of the population.

1. The Pilot Study. Before proceeding with the main study a pilot study was conducted to obtain impressions from purchasing practioners on the advisability of this method. Fifteen purchasing supervisors located in Michigan and Indiana were asked to supply four critical incidents--two considered effective and two ineffective. They were also asked to make suggestions for modifications in the proposed study. The results of the pilot study indicated the response rate might be quite low. In an attempt to

make the study less time consuming for respondents, the number of incidents requested was changed from four to two.

2. The Cover Letter, Incident Illustrations, and the Reporting Instruments. Based on the results of the pilot study, a cover letter was prepared explaining the purpose of the study, and requesting the reader's cooperation. A postage-paid envelope, self-addressed, was also enclosed. An example of an effective and ineffective incident was included to acquaint the participants with the critical incident design. The incidents were not related to purchasing in order to avoid biasing the replies. The final item in the materials to be mailed was the reporting instrument. It was in two parts and the first part asked the respondent to supply data on an effective incident:

1. Briefly describe an actual situation in which a person performed some buying activity so well that he deserved to be highly praised.
2. Explain what the buyer did that contributed to the effectiveness of the incident.
3. Indicate the result of the incident.
4. Provide information on the age, experience and level of education of the person involved in the incident.

The second part requested similar information on an ineffective incident. Illustrations of the letter, incident examples and the questionnaire are shown as exhibits in Appendix A. The cover letter assured the respondents

anonymity.[11] Hence, no names were requested in the incidents; there was no intent to identify the firms or their location, and there was no attempt to follow-up with further requests of the non-respondents.

3. The Survey Population. It was intended to limit this study to industrial buyers and to use a broadly based sample. Certain difficulties involving cost, time, and effort, meant that a random sample for this study was not practical. It was felt that by contacting a number of the Associations affiliated with the National Association of Purchasing Management, a large enough number of replies would be obtained to provide a sample with characteristics not too different from those of most industrial buyers. Because the National Association does not make its membership roster available, requests for rosters were sent to 22 affiliated groups. Membership lists were received from 20 of the Associations. In addition, a list of purchasing personnel who had attended purchasing conferences was used to develop a total of 1,700 persons to whom requests for information were mailed. The returns from this group included 316 usable critical incidents from respondents located in 28 states.[12]

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[11] See Appendix A, Exhibit 1 for the letter; Exhibit 2 for the sample incidents sent to respondents; and Exhibits 3 and 4 for the reporting instrument.

[12] See Appendix A, Exhibit 5.

Analysis of the Data

As the critical incidents were received, they were reviewed to determine whether or not the reports were usable. Some had been returned unanswered, some were incomplete, and some were unrelated to the study. Only those incidents that described a purchasing situation in which a buyer was considered to have performed in an effective or ineffective manner were included. This resulted in 316 usable incidents that were processed in the following steps:

1. Classifying the Critical Incidents. The incidents were read, sorted, and placed into one of two categories--effective or ineffective. The reading and sorting of the forms produced 172 effective incidents and 144 ineffective incidents.

2. Developing the Activities. After the incidents were classified, it was necessary to determine the activities associated with effective buyer performance and to repeat the process for ineffective buyers. The approach used for this step was to refer to the literature reviewed in Chapter II and select those activities frequently mentioned as basic to the purchasing function. This list was modified and supplemented by sampling the incidents to see if the activities referred to in the incidents would be accommodated in the list resulting from the literature review.

This preliminary group of activities was then discussed with a panel of 6 purchasing professionals which included Directors of Purchasing from industrial firms and government agencies. Their comments and suggestions resulted in a list of 28 activities used in this research.

After the list of activities was prepared, each incident was studied intensively in accordance with the purpose of this research. Each incident was examined for indications of what the buyer was doing when he was judged to have been performing effectively or ineffectively. Each action indicated in the incident was then placed in one of the 28 activity categories. References to a particular action might appear several times in a single incident, but it would be used only once in the activity categories, thus avoiding duplication and double counting.

Figure 2 illustrates how this process was applied. All the incidents used in this study plus the activity categories are shown in Appendices B and C.

3. Comparison and Evaluations. A series of tables was constructed permitting comparisons of the activities previously developed. Frequency counts and percentages were calculated for particular areas of interest. A further discussion of this material is found in the remaining chapters.

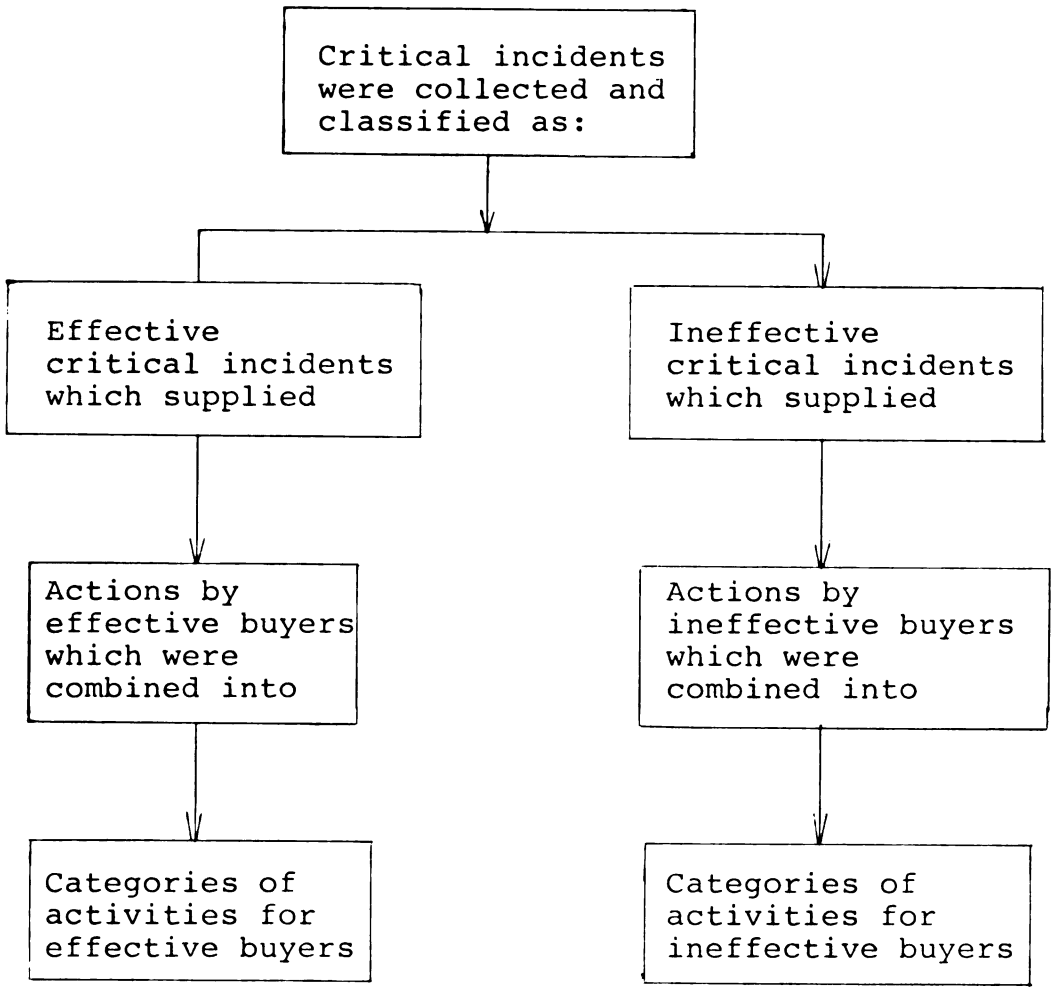


Figure 2.--The Process of Categorizing Buyer Activities.

Summary

In the present research the critical incident technique was used to collect information on the activities of industrial buyers. The incidents collected were subjected to content analysis to determine what buyers were doing when they were considered to have been effective or ineffective. The buyer actions reported in each incident were placed in appropriate activity categories. These activity categories had been developed primarily from a review of literature dealing with the purchasing function. The list of activities was modified after considering a sample of incidents to see if the buyer actions they contained would be included in the categories which had been prepared. The activities were then reviewed by leaders in the field of purchasing and a final list of 28 activities was developed for this study.

Information on buyer activities which has been collected by this process has been arranged in tables showing frequencies, percentages, and indices. An evaluation was made of the data to develop the critical activities distinguishing between effective and ineffective buyers.

The findings will be presented in the following chapters. Chapter IV will report on the data involving the performance of effective buyers, Chapter V will report the data on the performance of ineffective buyers and Chapter VI will compare the information developed on

effective and ineffective buyers. Chapter VII presents a summary and conclusions.

CHAPTER IV

ACTIVITIES OF EFFECTIVE BUYERS

The purpose of this chapter is to identify those activities associated with the effective performance of industrial buyers. First, a short discussion is provided of the procedure used to develop the numerical ranking of the activities. Then each of the activities is discussed, and finally information is provided on the age, experience, and education of the buyers included in this study. Each of the 172 effective incidents used in this study, and all of the activities judged to be related to each incident appear in Appendix B.

Procedure

A review of the purchasing literature plus discussions with leaders in the field, supplied activities associated with the job of an industrial buyer. However, the review failed to reveal any study indicating whether some of these activities might be more important for successful buyer performance than others.

This research is an attempt to determine if certain activities are more closely associated with effective purchasing than others. The approach used has been to collect

empirical data in the form of critical incidents supplied by purchasing personnel. A request for such information provided 172 usable effective incidents. Every incident was then examined for purchasing actions that occurred when the buyer was considered effective.

Each action was compared to the activity categories and placed in the category with which it was most related. By this means a count was built up of the number of incidents in which a particular activity occurred. The activities were then ranked in numerical order. A list of the effective activities is provided in Table 2.

Activities of Effective Buyers

This section will describe and discuss each of the activities associated with effective buyers. Typical incidents or excerpts from them will be used to illustrate the particular activity under consideration. The first activity to be discussed relates the buyer's effect on profit.

Profit Potential

The significance of the effective buyer's ability to improve a firm's profit picture is reflected in the number of incidents reporting direct dollar savings, or reduced costs for inventory, inspection, paperwork, production, etc. Those incidents reporting savings were by far the most numerous. References to this activity appeared in 135 of the 172 effective incidents or in 78

TABLE 2.--Activities of Effective Buyers.[1]

Category	No. of Incidents[2]	Percent of Incidents[3]
Profit Potential	135	78
Personal Skills	76	44
Procedures	73	42
Sourcing	73	42
Product Research	64	37
Departmental Coordination	58	34
Vendor Assistance	58	34
Quality Assurance	54	31
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Target Pricing	12	7
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Scrap & Surplus Disposal	10	6
Make or Buy	7	4
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[1]The activities are listed according to the number of incidents in which they occurred.

[2]Number of incidents in which the activity was reported.

[3]The total number of effective incidents was 172.

percent of them. Evidently the buyer who is considered effective is one who can improve profit through his actions. Because the buyer's impact on profit potential was indicated in such a large percentage of the incidents, several of them will be illustrated here. The first incident indicates how locating a supplier capable of providing a product similar to one that is presently used, can bring lower costs.

> Feed for research animals was being purchased from a leading name brand manufacturer at a cost of $100,000 per year.
>
> The buyer investigated local grain and feed companies and found one that could produce the same formulations as the name brand producers.
>
> Purchase costs were reduced $20,000 a year, and because the supplier was local and responsive to short lead time, the company's inventory was reduced 50 % or about $5,000.

The second incident illustrates how finding a source that is nearby can reduce delivery costs and lead time.

> Lead for our glass batch was purchased from a supplier on the East Coast and was received by rail. Through much work my buyer found a source in Indianapolis that delivers by truck.
>
> He kept searching for a supplier in our area and negotiated price and saved on freight and lead time.
>
> Savings to our plant of $45,000 per year.

A third incident is provided to demonstrate how savings can be achieved even though the initial price may

be higher. In this case the inventory was reduced, safety was improved, and the material handling costs were less.

> Coal was brought in by carload in August, September, and October and stockpiled for winter use. Fires, through spontaneous combustion, happened several times per year which added to the cost, and also the difficulty of loading from frozen piles during the winter months added to the cost.
>
> Negotiated a contract with local coal yards, with barge dock, to deliver coal by truckloads as required at 10 cents per ton greater than carload costs.
>
> Though the cost was 10 cents per ton more, the net savings annually amounted to $65,000.

The final illustration is an incident which points up the need for providing sufficient time for buyers to research the purchase of an important item.

> In these days of multiple and excessive price increases, a <u>good</u> buyer should identify unreasonable price increases and vigorously resist the increase. Cliff, in his daily search for such items noticed that a main landing gear cylinder was priced at $13,337.
>
> First, Cliff took time to identify the cylinder as a possible overpriced item. He checked our order files and found that the previous price was only $8,240. Immediate action was taken with parts sales by protesting the increase. Vendor indicated initially that production and sales were down to such an extent that the increase wasn't too abnormal. Cliff insisted that a price analysis be made which in the end indicated that the $13,337 charge was an error and the old price was reinstated.

Personal Skills

This activity refers to the willingness of an effective buyer to spend extra effort and personal time in solving purchasing problems. He is also able to convince others to accept his proposals. His presentations are well prepared and persuasive. His diligence and successful solutions earn the respect of others in his firm. Comments on Personal Skills appeared in 76 of the 172 incidents or in 44 percent of them. An incident illustrating this activity follows:

> Purchasing and plant engineering were involved in a "make or buy" situation for a plant utility supply of nitrogen gas. Two plans were being evaluated: bulk storage tank being supplied by vendor's tank truck, or storage tank being supplied by our own nitrogen generator. A continuous, but varying demand for large quantities of nitrogen was needed. Engineering recommended the outside supplier. Purchasing did not agree.
>
> The buyer, a chemical engineer, who came to purchasing from plant engineering prepared a more detailed engineering report listing many advantages and cost savings that engineering had missed. He secured the support of his supervision and sold both the operating division and engineering on the generator. Much of the work was done on the buyer's personal time.
>
> The generator was bought and has operated satisfactorily for many years with substantial savings to the company as audited by the comptroller's division. Engineering had more respect for purchasing's service and appreciated the assistance in this case and asked for more in the future.

Procedures

Procedures are the established ways of doing things. They are a series of actions to be taken by personnel in order to accomplish a particular task. The effective buyer recognizes that procedures are a means to an end and when conditions arise that are not covered by a procedure, or when an improvement can be made in present procedures, then some change may be advisable. The buyer knows whom to consult about such changes and is able to implement them with a minimum of conflict and with favorable results. This activity occurred in 73 incidents or 42 percent. A successful change in purchasing procedure is mentioned in the following incident:

> Approximately 500 PO's through our department for film processing. PO's issued after fact because the production department said only they knew the sources that were qualified.
>
> The production department was forced into submitting specs on their various film processing requirements and our buyer brought in potential vendors to determine what they could and could not do. After this, those that appeared qualified were then allowed to quote on our requirements. Blanket orders were issued to 2 sources and the business was split 50-50.
>
> Savings of approximately $30,000 to $40,000 per year because of competitive buying. Better service from both sources--eliminated approximately 498 purchase orders in the purchasing department. Eliminated approximately 250 revisions. More prompt payment, greater respect from the production department.

Sourcing

For those items secured from outside the firm, it is the buyer's duty to locate a suitable source of supply. The buyer must be able to find suppliers who are not only willing, but are also competent to furnish the items needed. As he searches for suppliers, the buyer looks to his established sources and also tries to locate or develop new ones. While investigating suppliers, the buyer will often check their technological ability, financial position, reasonableness of their prices, management policies, delivery record, and other areas.

Sourcing appeared in 73 of the 172 incidents or 42 percent. Two incidents are provided to indicate this activity. The first refers to finding a new supplier, carrying out an investigation, and having sufficient faith in the findings to back the supplier through some initial difficulties.

> We needed a source for plastic molded parts for a new product. Very specialized material and a new molding process was required.
>
> The buyer sent inquiries to various molders and because of an attractive price and agressive selling, one supplier stood out above all others. Normal vendor checks were made as well as a visit to his plant and everything was far above average. When production began parts were not meeting our specifications due to molding problems not anticipated. The vendor then invested a good deal of money to solve these problems. Many weeks passed and parts were improving but all problems were not resolved. There was heavy pressure from management, engineering and quality control to drop this vendor and go to another one because of the situation.

> Due to the vendor survey performed the buyer was convinced the present supplier was the best source for this part and he stood by the vendor. In the end the problems with the specifications were resolved, and the buyer is not enjoying an excellent relationship with a very reliable supplier.

The second incident illustrates how a buyer proceeded to develop a new source of supply when the present one was unsatisfactory.

> It was becoming increasingly difficult for Ken to receive needed repair parts for aircraft seats. The manufacturer's performance was slowly deteriorating. A recent change in management and transfer of work to subcontractors were causing serious delays and shortages. Experienced personnel were leaving the company and others were being fired or furloughed due to the company's financial problems.
>
> Ken contacted a former employee of the manufacturer and indicated that our company and other airlines could not continue to tolerate the poor service being received. Ken suggested that the former employee and others, who were trained in the aircraft seat business, start a company of their own.
>
> In a few short months another company was formed. With their expertise, the former employees began manufacturing approved parts for our seats and deliveries once again returned to normal at 10 to 20% lower prices. Ken took an innovative approach to correct our seat problems.

Product Research

A good buyer increases his knowledge of the items he buys. He wants to know who uses them, how they are used, whether substitutes are available that would be satisfactory, and whether new materials or processes are developing that may affect those presently in use. He is alert and has an open questioning attitude, interviewing salesmen,

checking with users of similar products and encouraging suggestions from suppliers. References to this activity were made in 64 of the 172 incidents or 37 percent. An example of this activity is given below.

> A part with high usage, was being made from square brass stock. The machining costs were high and almost 50% of the brass was removed in machining.
>
> The buyer reviewed the problem with various sources, and found out that the part could be produced on a high speed automatic machine using a lead alloy material, if the part could have a very slight radius on the corners. He went to engineering and sold the idea.
>
> The redesigned part was purchased in the new material at a savings of approximately 50% per part.

Departmental Coordination

The purchasing function has been established to provide other units with materials and services they need. In order to operate satisfactorily the buyer finds he must work harmoniously with other departments even though purchasing may occasionally have a different view of a problem than they do. He will arrange meetings to improve communication, and act as a liason agent in the firm. The buyer also works within his department to assist others and improve understanding of the buying operation. This activity was indicated in 58 of the 172 incidents, or in 34 percent.

> Engineers, next to the purchasing organization, had the most contacts with suppliers and potential suppliers. However, they were either ignorant of or ignored the company's basic purchasing policies, thus contributing a detrimental effect to the company's image.
>
> A buyer suggested that the resident manager of purchasing hold a series of meetings not only explaining the company's basic procurement policies, but the rationale behind the policies. Also, time was afforded for discussion and questions by the engineers.
>
> The engineers had a better understanding not only of what the company policies were, but of the reasons for such policies. Teamwork effort to obtain the best value for the company dollar expended was increased.

Vendor Assistance

An effective buyer recognizes his suppliers as experts in their field and attempts to utilize their knowledge to the benefit of his firm. He will encourage and motivate vendors to provide him with useful information on products, technical processes, and price changes. He strives to develop good vendor liason. At times the buyer may be able to provide assistance or suggestions to a vendor that is of mutual benefit. This activity was mentioned in 58 or 34 percent of the 127 effective incidents. An example of Vendor Assistance is related in the following:

> Our department was introducing a new product. We were not doing as well as anticipated in sales due to the high prime cost. One part in particular appeared to be out of line. I challenged the buyer to reduce the price from 75¢ each to 40¢ each.

> The buyer talked with his various suppliers who could manufacture this part. He explained his goal and worked with the successful supplier (who also was current source). They did a cost breakdown on current process and competitive processes. Finally settled on a new approach which engineering accepted.
>
> Net result was a $62,000 savings the 1st year. A higher performance part, easier to produce and finish. Both buyer and seller were happy over the outcome.

How a buyer may help to lower a supplier's cost and thus his own is indicated in this excerpt from an incident:

> . . . Went direct to supplier of paper label stock for our label supplier and through negotiation reduced our label supplier's paper cost.

Quality Assurance

The effective buyer is concerned with obtaining the proper quality when he makes a purchase. He seeks to obtain the level of quality that is needed by the requisitioner. This requires a correct description, knowledge of materials, markets, and the sources of supply. He will request samples, have tests run, make comparisons, and discuss quality with the user and the vendor. In 172 effective incidents, this activity was referred to 54 times or in 31 percent of them. The activity concerning quality is shown below:

> Small rubber component redesigned and supposedly tested. Production lot received. Operation caused failure in assembly of tool.

Data was assembled from many areas to serve as background data. A test was run at an independent laboratory to supply full data. Assembly of data showed that length of part caused a bad condition at the operating point. A redesign with a shorter length was requested.

New design was accepted as recommended and subsequent production proved successful. Good liason between engineering and purchasing was developed due to caution not to dictate a policy. Approach based on assemblage of data in such a way as to lead to a successful conclusion by all parties involved.

Organizational Decisions

The buyer must occasionally make decisions involving the formal organization structure. He acts on some question relative to the chain-of-command or the flow of authority and responsibility. He knows which unit in the firm to contact for advice or assistance. He may challenge the recommendations, or requisitions of others. This activity took place in 51, or 30 percent of the 172 effective incidents. An example is provided below.

A blast furnace needed to be relined, and steel mill personnel requested purchasing to obtain a high alumina relining material for the job.

The refractories buyer, taking advantage of the fact that the corporation has an extensive research laboratory in a nearby community, asked for research assistance in finding a relining material which would perform the job as well at lower cost. Armed with the laboratory evaluation of an acceptable substitute, the buyer was then able to convince the mill personnel involved to accept the lower cost lining material.

The major advantage, of course, was the fact that the furnace was relined at a lower cost. An

> equally important advantage is the fact that the refractories buyer has gained considerable respect from the mill personnel and has contributed to purchasing's reputation for reliability.

Illustrations of the effective buyer challenging others in the firm are shown in the excerpts from two incidents:

> . . . Buyer refused to place order to start vendor. Insisted on written specifications, vendor survey, meeting with vendor personnel for technical discussion of specs, and the opportunity to search for competition.
>
> Buyer received requisition requesting a new type of ink. This is a material item so buyer questioned using department before actually processing requisition.

Inter-Firm Coordination

The buyer arranges meetings between himself, members of his firm, vendors, or customers. The purpose of the meetings is to improve relationships, communications or discuss items of mutual interest. This activity developed in 28 percent of the incidents or in 49 of 172. A typical incident follows:

> A buyer with considerable experience in purchasing heavy rotating equipment received a bill of material for a purchased two control air compressor for a nuclear power plant. As a change to the order, the engineers directed that the manufacturer design and furnish the equipment to meet a series of seismic (earthquake) conditions. In pricing this extra, the buyer learned the supplier would need 1,000 hours of engineering at $20 an hour.

> The buyer asked the engineers for sufficient time to permit him to schedule a meeting with the manufacturer. The buyer, his company's designers, and the manufacturer's engineers met to discuss the manufacturer's standard aseismic design for compressors to be used under such conditions.
>
> After a complete review by all of the engineers involved and the buyer who was an engineer, it was agreed that the manufacturer's design would adequately meet stringent requirements of the buyer's company. During the same meeting the buyer asked for a discussion of a group of $1,764 worth of extras that the engineers had asked to have worked into the machines. These were also deleted as unnecessary upon pointed discussion between the engineers. A total savings of $21,764 resulted out of a purchase price of $13,880.

Substitutions

The effective buyer will often recommend a substitute product or an alternative manufacturing method to his firm. He is on the alert for solutions to problems which involve his area of expertise. His suggestions may involve existing products or products which are under consideration by the firm. Buyers suggested alternatives in 47 of the 172 incidents or in 27 percent of them. Such a suggestion is found in the following incident.

> A routine visit by a salesman included a sales pitch for a new product. The purchasing manager recognized the potential for this new product in the plant and arranged to have a sample supply sent to the plant superintendant for a trial. Trial proved effective.
>
> The purchasing manager was able to relate a material to the manufacturing operation, because he regularly spent time in the manufacturing area and was knowledgeable of what was done in that area. This purchasing manager did more than process requisitions.

Negotiation

Negotiation is the process by which the buyer and a supplier discuss the terms of a contract until common understanding is reached of all the issues involved. It is of more importance for some purchases than others, and when properly done requires extensive preparation and analysis by the buyer and, perhaps, the buying "team." This activity was reported in 26 percent of the incidents or in 44 of 172. An example follows:

> We needed a new packaging machine. Purchasing sent several vendors to engineering to discuss specifications. Engineering had $10,000 budgeted for the machine. The quotes came in, two were over $10,000 and one was $7,000. The statement was made, "I guess we will have to take the $7,000 machine but the $12,000 one is the best for the job.
>
> Purchasing decided to negotiate for the $12,000 machine. Purchasing asked engineering to estimate manufacturing costs of machine for a cost-price study. We had specified a special hot melt gluing unit to be mounted on the machine. Purchasing checked with the manufacturer to see what the O.E.M. price would be. Purchasing negotiated the $12,000 machine down to $9,500.
>
> We purchased a machine that was within our budget. The machine was a good one that could do our job for now but have excess capacity for future expansion. It helped improve relations between purchasing and engineering. It helped to allay the fears that purchasing only takes the low bid and helped prove that we spend the company's money wisely.

Competitive Bids

The use of competitive bids is one method effective buyers use to develop a right price. It is also used to

develop a list of potential suppliers and to discover if the price now being paid is correct. Bidding was referred to in 39 of the 172 incidents or in 23 percent. An illustration of bidding appearing in an incident is shown next.

> Product engineering revised the processing of an assembly from "assemble in company plant" to "buy outside assembled."
>
> Having reviewed the initial quotations received from suppliers, the buyer could have easily sourced the parts to the lowest bidder. Instead, the buyer went to the plant of the lowest bidder and reviewed the type of equipment to be used for the assembly operation. It was discovered that the lowest bidder had not made a thorough evaluation of the capability of the special equipment and had simply obtained a telephone quote from their only known source of special assembly equipment. The buyer was aware that the equipment had previously been purchased by two other suppliers who had found the equipment to unreliable.
>
> The lowest bidder requoted at a higher price based on the knowledge that the equipment he intended to use was not reliable. As a result, the assembly in question was sourced to another supplier having more experience with this type of assembly. By carefully reviewing his quotations, the buyer avoided many potential supply problems.

Inventory Control

The controlling of inventory is an important function involving various operating departments with differing viewpoints. In general, buyers favor a policy which would mean larger and fewer orders, which would usually mean high total levels of raw materials. The effective buyer will be conscious of the cost of carrying inventories compared to the ordering costs. He will check for balances on hand

before he orders, note the usage rates, review items for duplication, arrange with distributors to carry a minimum stock, and study buying patterns. This activity occurred in 30 of the 172 effective incidents or 17 percent of the time. Inventory control is depicted in this incident:

> We use large quantities of gasoline pump hose and we found our inventory tied up in space and dollars, in our opinion, to be out of line.
>
> We were able to get our people to standardize on types, sizes, etc. We negotiated with our principle suppliers, based on price, quality and delivery for the best overall deal.
>
> We now have arranged at competitive prices and acceptable quality, a deal whereby the supplier has consigned a stock of hose in our plant. We issued blanket orders once a year with periodic releases. This has released average inventory lockup of $50,000 for other purposes, saving $50,000 X 8% = $4,000 year.

Specifications

The cost of many materials is often built into them long before a requisition reaches a buyer. Once specifications are determined they become difficult to change and may mean a higher price is paid than is necessary. The effective buyer strives to be involved with reviewing specifications as soon as possible. At times he may be able to contribute constructive comments on their development. He is aware of improvements that could result from changes in design, dimensions, or materials. He seeks standardization. This activity was indicated in 30 of the 172 incidents or in 17 percent, and is illustrated below.

A special conveyor belt with flanged edges was special made in short lengths for several types of weighing and feeding devices. A study of essential specifications was made by the buyer and a common specification developed. Sources of supply able to manufacture were located. By contracting in large quantities it was possible to have the belt manufacturer stock the belt and cut to lengths as shipped.

Studied belting and developed specifications needed. Then negotiated for supply and price.

A cost reduction of 44%.

Market Analysis

The effective buyer realizes that in general he buys in two types of markets: (1) a market in which prices are reasonably stable in the short run and require occasional checking, and (2) a market where supply and price shift quickly and must be watched closely. In either case he must know how to check for information on supply, demand, and price conditions. This was indicated in 29 of the 172 incidents or 17 percent. An example is provided below.

Normal practice was to buy metal on a published price basis. Rumors were the price of metal was going to increase.

The buyer's boss was out of the country and could not be reached.

He researched the rumors and contacted about 8 suppliers whereby indications showed the market was much stronger than weak. On this information he ordered about 1,500 tons of metal in advance of regular schedule.

Three days after the 1,500 tons of metal was ordered the price increased $20/ton. Savings were 1,500 @ $20 = $30,000.

Forecasting

The buyer attempts to determine what the future requirements for an item will be. He collects and analyzes information on trends for supply, demand, prices. This activity was found in 25 of the 172 incidents or in 15 percent. An example follows.

> The companies purchases of steel were large in total coming, however, in small frequent buys primarily from warehouse services centers. Inventory costs/space restrictions precluded large/less frequent buys. Costs were high on individual buys and number of sources has increased greatly.
>
> The buyer performed a very complete and time consuming study of buy patterns/costs/etc. and applied a contract procurement program concept. He sold the program concept to several warehouses and obtained agreements for the ensuing year.
>
> A cost savings of 20% ($250,000) occurred, inventories went down, freight costs went down, availability improved. Supplier base was cut from 24 to 5 with the resulting economies of contact.

Supplier Evaluation

The effective buyer believes his responsibility for supplier selection does not end with the choice of a supplier. He continues to periodically review and evaluate his present suppliers. He believes checking on the performance of established suppliers helps them improve and this brings benefits to his firm. In the 172 effective incidents this activity was reported in 23, or 13 percent of the time. Supplier Evaluation appears in the following incident.

One foundry supplier was over two months late in delivery of castings. Our inventory was almost depleted.

Our casting buyer visited the foundry, arranged a meeting with the president, vice-president, and sales manager, production manager, quality control manager, and sales representative. As a result of this meeting our parts were shipped weekly with minimum loads of 5,000 lbs.

Vendor made promises and performed as promised and maintained our schedules.

Transportation

Transportation occupies the time of the buyer who is trying to reduce freight costs, or improve delivery time by finding a different service. This was reported in 15 of the 172 incidents or 9 percent. The following incident involves transportation.

The purchasing agent for this company purchased ladle brick in full boxcar loads to keep an inventory on hand for repairing ladles each week. Problems resulted as a result that not enough lead time was given to order a car or else the car was late being delivered due to the railroad losing.

Buyer investigated and found that it took three men a full day and a half to unload a boxcar when it did arrive, at a cost of over $200 labor charge. Buyer changed the company's method of buying by ordering brick in 40,000 lb. quantity, loaded on pallets on a flat bed truck for side unloading by a forklift truck.

The outcome was paying a slightly higher price for the brick, but the company received the brick quicker, had less money tied up in inventory, took one hour to unload truck and store brick, all at a substantial savings.

Forward Buying

At times the effective buyer will purchase more material than is needed for current requirements, but not beyond his actual foreseeable needs. He may order more than the usual quantity if he expects the price will increase, or if the item on the requisition will be ordered repeatedly. This was reported 13 times or in 8 percent of the effective incidents. An example follows.

> A buyer through detailed analysis and outstanding communications with suppliers concluded a commodity had reached a low point in a price cycle. He prepared a purchasing recommendation suggesting two year coverage. It was highly unordinary to suggest coverage of this kind in this particular commodity for such an extended period.
>
> He presented recommendations well prepared--documenting his conclusions and writing his analysis in a persuasive enough manner that it was accepted.
>
> Shortly thereafter the recommendation was accepted and the commodity booked for 2 years requirements then made a sharp upturn. Within 9 months the price had tripled.

Follow-Up

The effective buyer maintains control of his purchases by involving himself in expediting important orders. He reviews the status of orders, writes letters or contacts suppliers for information by telephone or personal visit. He will also follow-through and check on the progress of activities with which he is concerned within the firm.

Twelve of the 172 incidents or 7 percent mentioned this activity. The following account is representative.

> Production schedule revised hurriedly on Friday. Inventory control forgot to advise purchasing material due in two weeks. Later was now needed Monday following. Needed material by ten a.m. Monday according to best estimates to prevent machine being shut down.
>
> Purchasing agent telephoned supplier 9 a.m. Monday--500 miles away. Material (special custom product) happened to be ready to ship this day. Requested salesman take it to a airport for a.m. flight. Called airlines to alert them of late freight arrival. Alerted traffic department to be prepared to pick up in 2-5 hours.
>
> Freight was received and was in machine by 1 p.m. same day five minutes before it would have run out (original estimate was conservative). Moral of story: think positive, take action; follow up at all points of transfer. With proper approach (and some dumb luck) people will come through for you.

Target Pricing

The effective buyer works to develop a proper price by estimating or analyzing a supplier's costs for labor, material, and overhead. This occurred in 12 of the 172 incidents or 7 percent. An example follows.

> Prolonged coal strike. Phase I price restrictions just raised. Phase II guidelines not well defined. Pressure to raise coal prices. One mine from which we bought just closed.
>
> He did an "in-depth" study of relative costs of coal from a number of sources and determined price at which in effect our total costs would remain the same. That became his maximum point. That became his maximum point. And after negotiation in fact our total costs went down!

As stated above, our total cost per million BTU's for coal went down despite the closing of a mine, the settlement of a long miner's strike (at increased costs of labor safety), and a general across the board increase on coal prices.

Records

The effective buyer is conscious of the importance of maintaining complete records of transactions and having them readily available. This was reported in 11 of the 172 incidents or 6 percent. A typical incident is shown next.

All requisitions were hand written. Even those for materials ordered on a repetitive basis.

Purchasing agent instituted traveling requisition cards on which were spelled out the specifications and five possible sources of supply. As the cards were used, the buyer had immediately in front of him all of the historical information necessary for him to select a vendor and watch price trends.

Tremendous saving of time.

Scrap and Surplus Disposal

The effective buyer arranges to dispose of excess or scrap material. He may find a way to rework the material, or find another department which can use the excess, or arrange for its sale. This occurs in 10 of the 172 incidents or 6 percent. The following incident illustrates this activity.

Graphite electrodes in various lengths and diameters are purchased in large quantities for

use in electric steelmaking furnaces. When an electrode is cracked or broken, it must be replaced as configuration is highly important. Such broken electrodes have either been sold as scrap or pulverized and used as a recarburizer in furnaces. The discarded electrodes are allowed to accumulate at the steel plant until a large enough quantity is available to permit economical disposal.

A member of purchasing was called to one of our steel mills to inspect a quantity of scrapped electrodes and arrange for sale to a scrap dealer. Noting that the damage was minor in some cases, he consulted personnel to see if some of the electrodes could be re-machined and re-socketed for use in furnaces calling for smaller electrodes.

A reclamation program was developed whereby damaged electrodes from large furnaces are reworked by a manufacturer and made fit for use in smaller furnaces rather than being disposed of as scrap. The program saves the cost of purchasing new electrodes for several of our smaller furnaces and represents a decided improvement in our costs when compared with scrap value.

Make or Buy

A situation involving a make or buy situation is solved with the buyer's assistance. Through his knowledge of a product or his contacts with suppliers, the buyer makes helpful suggestions. This activity was indicated in 7 of the 172 incidents or 4 percent and is shown in the incident below.

The company had been having difficulty manufacturing an aluminum strip product. The high cost of this product was jeopardizing an important company program.

In negotiations with the company's aluminum strip suppliers, the buyer discovered the aluminum industry makes a similar product. Further efforts

proved that the company's suppliers could supply the product at a lower cost than the company could manufacture it internally.

A significant cost barrier to the important company program was broken. By being sensitive to the capabilities of suppliers, the buyer made an important contribution to the company

Vendor Relations

Once a dependable supplier has been located, the effective buyer acts to develop a continuing satisfactory relationship. He is interested in maintaining a friendly, courteous, association. Tries to avoid ill-will. This is indicated in 7 of the 172 incidents or in 4 percent. A typical report follows.

A buyer is given the responsibility to procure a subsystem on a "sole source" basis. The supplier objected to many contractual provisions and documentation provisions.

Various meetings were arranged by the buyer with responsible contractor personnel. The meetings resulted in the acceptance of the supplier's positions as proposed. The supplier was contacted by the buyer and was told that each party was somewhat "apprehensive" about doing business with each other, however, if each party would work together, a mutually beneficial conclusion could be reached.

Each party put forth a great deal of extra effort and as a result, the parts received on time were of an excellent quality and the supplier made a good profit on the contract. In addition, the above mentioned "apprehensiveness" has disappeared and each party is eager to contract with each other.

Legal Considerations

The effective buyer has a basic understanding of the law relating to his job and his activities. He knows his primary responsibility is to act in the best interest of his employer and to avoid misunderstandings with his suppliers. References to this topic appeared in 5 of the 172 incidents or less than 3 percent. An example is given below.

> Upon joining the firm, the new purchasing agent was suspicious of the excessive expenses in the supply area. It took nearly a year of checking to locate the real problem.
>
> Set up an effective receiving system to check receivables against orders matching packing slips against invoices and constantly checked the market for competitive bids on large $ items. . . . The pressure brought to bear on the crooked vendor forced him to tip his hand through a series of wining and dining sessions ending up with a direct offer similar to the previous purchaser (deceased).
>
> The new buyer kept close contact with his superior advising him of each development until the trap was sprung. The vendor confessed all and made partial restitution prior to his untimely death due to cancer.
>
> The company is now aware of the pitfalls of sloppy habits and is saving approximately $100,000 yearly on purchases from this source alone. Constant review of all purchases and leases has resulted in further economies.

Ethics

The effective buyer observes accepted ethical practices in his relations with his employer, others in the company, and with vendors. He recognizes his actions

must be above reproach. In only 3 of the 172 incidents or less than 2 percent this activity mentioned. An example is given below.

> Large chains for draw benches were purchased from equipment manufacturers for many years because the plant engineering department believed that only the equipment manufacturer was qualified to supply chains to the proper specifications for their machines. Also, ethically we could not use the vendors' drawing or copies thereof, to obtain competitive quotes.
>
> The buyer knew that the equipment manufacturer did not always make the chains in its own shops, but very often purchased such chains. Therefore, the buyer insisted that the plant engineering department draw up a set of specifications covering all aspects of the requirements of these chains, leaving the actual design to the chain manufacturers' recommendations.
>
> Upon receipt of the specifications the buyer was able to obtain several quotations fully meeting the requirements. Cost reductions amounting to several thousands of dollars were accomplished with savings up to 35 to 40% under the equipment supplier's prices.

Age, Experience, and Education of Effective Buyers

In addition to being asked for an incident describing effective performance, the respondents were requested to provide information on the age, experience, and education of the person involved in the incident. Not all the incidents contained this data, but a summary was made from the 149 incidents which did supply answers. Table 3 shows the relationships between the effective buyers and their ages.

TABLE 3.--Age of Effective Buyers.

	Under 30	30-50	Over 50	Total
Number	16	113	20	149
Percent	11	76	13	100

Several things are apparent from Table 3. Most of the buyers reported as effective are between 30 and 50 years of age. They account for 76 percent of the effective buyers, while the 16 buyers under 30 amount to 11 percent, and those over 50 are 13 percent of all the effective buyers. The large grouping in the 30-50 year bracket may be due to the 20 year span included for this group, compared to a possible 10 year span for buyers under 30, and 15 years of buyers over 50, assuming they will retire at 65. Again, the difference may simply be that most of the men engaged in buying are between 30 and 50 years of age. It may not be correct to assume that being between 30 and 50 years of age means a buyer is more likely to be associated with effective performance.

The next characteristic for effective buyers on which data was supplied was years of purchasing experience. Table 4 reports this information for the effective buyers included in this study.

An examination of Table 4 reveals that 28 of the reported 149 buyers or 19 percent had less than 5 years

TABLE 4.--Experience of Effective Buyers.

	Under 5 Years	5-10 Years	Over 10 Years	Total
Number	28	54	67	149
Percent	19	36	45	100

purchasing experience. There were 54 buyers, or 36 percent with between 5 and 10 years of experience. This analysis would seem to indicate that the more experience a buyer has, the more likely it is that he will be effective. Perhaps this is linked with the possibility that buyers who do not perform effectively do not stay long in that position. They may largely be eliminated in the first 5 years. It may not be correct to assume that the longer he is on the job the more effective a buyer becomes.

Finally, the respondents were asked for data on the level of education for effective buyers. The results appear in Table 5.

TABLE 5.--Education of Effective Buyers.

	High School	Some College	College Graduate	Total
Number	17	52	80	149
Percent	11	35	54	100

Table 5 indicates that 80 of the effective buyers, or 54 percent, were college graduates. Another 35 percent had some college, and only 11 percent of the effective buyers did not pursue their formal education past the high school level. This may seem to indicate that the more education a buyer has, the more likely it is that he will be effective. This assumption should be considered carefully, however. It may be that few buyers are being hired unless they have more than a high school education. If this were true, then the buyer population, being made up largely of buyers with some college, would show a bias towards education and effectiveness.

Summary

This chapter has identified and discussed the activities associated with the effective performance of industrial buyers. The activities were developed from a review of the purchasing literature and modified to conform with the findings indicated in 172 incidents of effective buyer performance. The incidents were reported by purchasing personnel from over 150 firms and are regarded as useful empirical data.

There were 28 activities developed for buyers. The incidents were then examined for actions taken by buyers which could be associated with the 28 activities. Each of the activities were represented in one or more of

the effective incidents. The activity referred to in most of the incidents referred to the buyer's ability to favorable influence profit--"Profit Potential." Comments on this activity appeared in 135 or 78 percent of the effective incidents. The remaining 27 activities appeared in from 76 incidents for "Personal Skills" down to 3 incidents mentioning "Ethics."

In addition to the previous information, the collection of the incidents provided data on the age, experience, and education of effective buyers. Three out of four effective buyers in this study were between 30 and 50 years of age. Most of these buyers had more than 10 years experience and were college graduates. Further discussion is found in Chapter VI. Since the incidents do not compose a truly random sample any inferences must be limited to the immediate sample. The findings reported in this chapter on the personal characteristics of effective buyers should also be compared to the findings on the personal characteristics of ineffective buyers which are reported in the next chapter.

CHAPTER V

ACTIVITIES OF INEFFECTIVE BUYERS

This chapter is focused on the activities associated with ineffective buyer performance and some of the personal characteristics of those buyers. First, a review is provided of the procedure that was followed to develop the activities related to ineffective buyer performance. Then each activity is discussed and an incident illustrating that activity is presented. Finally pertinent information is supplied on the age, experience, and education for the ineffective buyers reported in this study. A more detailed analysis of the above material and its comparison to effective buyers is reserved for Chapter VI. Each of the 144 incidents describing ineffective buyer performance and their related activities appear in Appendix C.

Procedure

A review of the purchasing literature did not reveal any studies reporting the activities of buyers when they were considered to be performing in an unsatisfactory manner. The assumption was then made for this research, that the poor performance of a necessary purchasing activity, or its omission, would lead to an ineffective result. The list of

28 activities previously compiled for effective buyers was used to check against ineffective buyer performance.

Each of the 144 incidents which reported ineffective performance was examined for statements indicating a buyer failed to do something, or did something but did it poorly. By comparing these statements about what a buyer did poorly or failed to do, with the list of 28 buyer activities, a table was constructed showing the activities associated with ineffective performance. The original 28 activities proved to be sufficient to include the statements from the ineffective incidents so that additions or deletions were unnecessary. This information appears as Table 6.

Activities of Ineffective Buyers

This section contains a description and discussion of each of the activities associated with ineffective buyers. An incident, or excerpt, will be used to illustrate the particular activity under consideration.

Profit Potential

The impact of an ineffective buyer on a firm's profit total is indicated by the numerous references to its occurrence. There were 109 incidents, or 76 percent of those reporting ineffective performance, which mentioned excessive costs; overstocks of inventory; lost production; waste of manpower and equipment; and a loss of money to the company. Since 3 out of 4 incidents describing

TABLE 6.--Activities of Ineffective Buyers.[1]

Activity	Number of Incidents[2]	Percent of Incidents[3]
Profit Potential	109	76
Procedures	85	59
Sourcing	70	49
Organizational Decisions	61	42
Personal Skills	60	42
Departmental Coordination	50	35
Quality Assurance	47	33
Follow-Up	38	26
Inventory Control	36	25
Product Research	35	24
Vendor Assistance	33	23
Inter-firm Coordination	32	22
Market Analysis	26	18
Negotiation	26	18
Competitive Bids	25	17
Forecasting	23	16
Legal Considerations	22	15
Vendor Relations	21	15
Specifications	21	15
Supplier Evaluation	21	15
Records	21	15
Transportation	16	11
Substitutions	16	11
Scrap and Surplus Disposal	14	10
Ethics	12	8
Target Pricing	9	6
Forward Buying	7	5
Make or Buy	4	3

[1]The activities are listed according to the number of incidents in which they occurred.

[2]Number of incidents in which the activity was reported.

[3]The total number of ineffective incidents was 144.

ineffective activities included a reference to unnecessary cost, it would seem that a buyer who does not perform as he should would be a source of concern to his superiors. Because the comments on profit drains were so numerous, several incidents containing these statements will be included at this point. The first incident indicates how a failure to take into account several diverse factors relating to a purchase can turn an apparent cost improvement into an agreement which brings an actual cost increase amounting to thousands of dollars.

> A junior buyer decided to drop an old supplier of wiping cloths in favor of a new one offering a supposed 1/3 saving in the cost of washing cloth wipers on a weekly basis. Annual cost with old supplier, $8,000.
>
> He failed to take into account that the new supplier had a policy for replacement wipers that had worn out or been lost. Nor did he take into consideration the cost for our stock clerk that had to count the hundreds of weekly outgoing and incoming wiping cloths that was a necessary part of the new agreement.
>
> The high cost of replacements showed an increase in cost of $2,500 over the previous year's cost with the old supplier. Not to mention the two hours per week lost by our stock clerk in counting wipers. Annual cost with new supplier, $10,500.

The second incident relating to Profit Potential illustrates how a buyer, eager to reduce material costs, actually causes a loss in sales which reduces profit.

> Sales department requested purchasing to procure powder graphite in plastic bottles, instead

of cans due to improved application characteristics, appearance, etc.

Buyer purchased bulk graphite, plastic bottles, etc. and organized outside filling service. Significant cost savings resulted. However his excitement over the savings outcome caused him to overlook a most important consideration: the outside filler was not equipped to bottle the graphite fast enough (capacity) to meet our demand.

Three months following the implementing of this program we were still in trouble with regard to locating a supplier who could fill the bottles in accordance with our demand. The material savings was more than offset by the costs of lost sales due to lack of filled bottles to ship.

The third incident is provided to demonstrate how profit is affected when a buyer does not make proper arrangements for the reworking of unsatisfactory material.

Shipment of material fabricated parts were received long after promised delivery date. Receiving inspector rejected them as being improperly machined and notified buyer. Less than 25% of the shipment was urgently needed.

Because they were over due and holding up production, buyer arranged for rework of entire shipment in his own plant without taking time to obtain authorization from vendor. Work was done on an overtime basis.

Vendor would not cover cost of materials for rework of entire shipment (only part was overdue) and objected to work being done on an overtime basis; therefore, company was able to recover only part of costs.

Procedures

The activities included under this heading refer to the accepted way of getting things done. They have been

established by decree or custom and are the steps taken to accomplish a particular task. Ineffective buyers frequently omit a step in a procedure, or a whole procedure. They may perform the requirements, but do it poorly or in a careless manner. References to this item appeared in 85 of the ineffective incidents for a total of 59 percent. It was second on the list and the next two illustrations indicate how it can occur. The first incident reports improper use of procedures.

> The plant ran short of the most important raw material because the buyer did not properly schedule shipment releases from vendor, and monitor inventory, and coordinate with production control as he should have as an experienced buyer.
>
> This particular buyer had not been at the plant more than three months but he, being experienced, was there long enough to know which materials were critical and should have been suspicious that no recent releases had been requested since material was used in <u>all</u> plant production.
>
> It was necessary to charter two airplanes to bring in enough material until truck shipment could arrive. Premium transportation costs in excess of $2,000.

This second incident indicates how a buyer can be ineffective by failing to verify certain steps in his purchasing procedure. The incident also relates how the problem was detected and a correction made.

> A requisition was received from an affiliated company in a foreign country for a quantity of internally illuminated identification signs. These

signs are four feet by eight feet in size, specially designed for our company, and relatively expensive. Patterns, molds and special hardware are required and normally no more than one or two vendors have been selected as approved sources of supply. Delivery was required in three weeks (less than the normal lead time for manufacture).

The export buyer recognized the requirement as a sign used regularly in the United States. He correctly identified the approved vendor and placed an order for urgent shipment without verifying:

1. availability (inventory)
2. electrical specifications
3. price for export packing
4. production schedule

or without even attempting to consult the domestic buyer involved. Management reviews order copies and because of an apparent lack of coordination referred this order to the domestic buyer.

The domestic buyer immediately recognized a serious problem and by telephone arranged for a production schedule to be disrupted. Correct electrical components for the destination country could not be obtained in time to effect timely delivery. He, therefore, arranged for shipment without electrical components installed and forwarded drawings to the requisitioner so that required electrical items could be obtained and installed locally. Without this action, the original order would have been delivered with completely incorrect specifications and had to be returned at high cost or discarded--also delaying start-up of a number of marketing units.

Sourcing

It has been said that the acid test of a buyer is his ability to find competent, willing, suppliers. In order to know if suppliers are competent and willing to serve, the buyer must conduct an investigation. The depth of this research will, of course, vary with the importance of the material or service being sought. When a buyer

fails to find suitable suppliers or uses those who are inadequate, the result is ineffective performance. This situation was reported in 70 of 144 incidents or 49 percent. The next incident indicates a poor choice of a supply source.

> A new value program was being instituted--eight weeks to get all parts purchased or manufactured and assemble 24 units for customers' pilot machine.
>
> An item was placed at the lowest price and promised delivery. No former buyer-vendor relationship relative to this choice of vendors only his credit rating was checked. There was no plant tour made, there was not time to check vendor's other customers for delivery and quality performance. Regular vendors were bypassed in favor of low price and delivery promise.
>
> The vendor got parts in three times before delivery date deadline, but none could pass quality control inspection. Finally vendor gave up--parts were returned for credit. Part was then placed at one of the regular vendors. Vendors put forth great effort, but deadline was missed. Delivery of pilot was three weeks late. Customers very unhappy. Thought for future buying practice--the lowest price and delivery is not always the best buy, quality is also important.

Organizational Decisions

From time to time a buyer must make decisions involving the formal organizational structure. He finds it necessary to resolve some question related to the chain-of-command or the flow of authority and responsibility. It may be expedient for him to call on other units for advice or assistance, or it may be necessary for him to

challenge their requisitions or recommendations. A failure to do these things or to do them properly can result in ineffective performance. This activity was mentioned in 61 of the 144 incidents or 42 percent. The next incident refers to a buyer assuming authority to take an action he believed to be correct, but which brought undesirable consequences.

> Our customer specified that fabricated steel parts be coated with 15 mil PVC for corrosion resistance. Our vendor performing the coating operation convinced our buyer that a 10 mil epoxy coating would not only be less expensive but also provide better protection. We still have no reason to doubt this.
>
> Our buyer authorized the change in specifications without securing approval from our customer.
>
> Our customer failed to appreciate the merits of the epoxy and rejected the job. We lost a considerable sum in stripping and recoating per the original specifications.

Personal Skills

This activity occurred in 60 of 144 incidents or 42 percent. Certain buyers hesitate to take action. They delay in getting on with a task. They are ineffective in dealing with others and cannot defend their proposals or get them accepted. They may lack insights in how to provide the services that are expected from capable buyers. This ineptness and procrastination is typified in the following incident.

A chemical engineer, with a master's degree in chemical engineering, after a few months training in purchasing techniques, was assigned responsibility for buying chemical process equipment. He had previously had several years experience in plant engineering. After several months, plant engineering complained about purchasing service in this buyer's area. They were not getting quotations when requested nor did they receive answers to technical questions requested from vendors. Investigation revealed that considerable backlog had built up at the buyer's desk. Some requests were over a month old and nothing had been done on them.

The buyer referred many requests to his secretary without instructions for processing and never followed up to see if anything had been done. He did not ask for overtime or additional assistance for either his secretary or himself. His secretary requested a transfer. Plant engineering felt they should bypass purchasing and deal direct with vendors to secure information desired. The buyer was spending too much time on a few projects in which he was interested and had no ability to quickly dispose of the routine work or adequately delegate it. He did not discuss his problems with his supervisor.

Some commodities were transferred to other buyers in the same commodity group. A floating buyer and additional help were assigned to assist the buyer. After the backlog was worked off, he was given another opportunity to handle the work under close supervision. He was not able to do it, and was reassigned to another buying group to handle more routine office equipment and supplies. Eventually he failed here also and was separated from the company. He lacked the necessary characteristics of follow through, dependability, communication with supervision, efficiency and speed required in business operations. He was advised to try a completely different field such as research or education.

Departmental Coordination

The number of incidents reporting this activity numbered 50 of 144 or 35 percent. Buyers in this category

failed to meet with other departments in the firm to discuss common problems or to secure their help to solve a problem. They might take an action which destroyed or prevented the development of mutually helpful relations with others in their company. In the next incident a situation occurs which leads to a breakdown in Departmental Coordination and contributes to purchasing ineffectiveness.

> The lack of attention by a succession of buyers had led to a backdoor selling situation in the purchase of process control instruments. One manufacturer had become the preferred source through the efforts of a particularly bright and forceful salesman.
>
> After trying for some time to regain control of the situation, the buyer was reduced to complaining to anyone who would listen that his efforts to restore a competitive situation were being thwarted at every turn by the "super" salesman and by plant engineering and maintenance personnel. He insisted that even when he was able to buy competing products they were sabotaged by plant personnel. He also said that the favored supplier was furnishing obsolete or inferior goods at premium prices.
>
> The buyer's attitude "the whole world is against me" met with little sympathy and the situation did not improve.

Quality Assurance

Quality is important when making a purchase. Unless the proper quality desired by the requisitioner is obtained, the material will be unsatisfactory. Problems with quality were reported in 47 of 144 incidents or 33 percent. The incidents mentioned a failure to determine the amount by

which a shipment of steel was out of tolerance; and ignoring complaints from requisitioners about the quality of items received. An example of Quality decisions leading to ineffective performance is mentioned in the accompanying incident.

> General performance of a group of suppliers was not considered to be satisfactory. They were in a healthy industry and yet their performance had degenerated to a point that it was considered to be entirely unsatisfactory. The buyer's assignment was to either upgrade the current suppliers or find new ones.
>
> The buyer chose to immediately disregard the current suppliers and go out looking for new suppliers. These suppliers were untried, and the buyer did not request a sample of their work, a list of satisfied users, nor did he visit the man's facilities. At the same time, current suppliers were becoming less effective on every order.
>
> The result of the entire thing was that quality and performance degenerated to a point that the company lost business, the new suppliers were never able to become effective and the few jobs that they did perform were done poorly because of lack of direction and clarity. It was a typical example of lack of planning as well as a lack of interest to understand the problem to prioritize the wants and goals to be accomplished and to consult and act with others.

Follow-Up

A capable buyer is expected to know the status of this purchase orders and take corrective action when necessary. Failure to do this, or doing it unsatisfactorily, was mentioned in 38 incidents of 144 or in 26 percent. The following incident indicates how faulty expediting led to ineffective performance.

Constant shortages, which caused production interruption and the need for vendor to rush his work which caused sporadic quality problems.

Expediting after shortage occurred rather than before, substandard parts were used due to critical need. Communications were infrequent and unclear.

Lost production, missed shipments, vendor relations deteriorated, both customer and vendor profit potential was lowered.

Inventory Control

References to this item appeared in 36 of the 144 incidents or 25 percent. This would occur when the buyer failed to check stock balances, made a mistake in increasing or decreasing levels, or failed to maintain a sufficient supply of material. The inadequacies of a buyer with inventory control are indicated in the next incident.

This person was responsible for ordering in raw materials (rail cars) and scheduling the cars to keep pace with our production requirements as they fluctuate. This involved some 75 to 100 rail carloads per month plus truckload shipments. This required accurate forecast and awareness to prevent overshipments or stock-outs.

He failed to get up-to-date information from the production control department. He didn't have a system of coordinating this information to determine how much material to bring into the plant. His orders were based on past usage, instead of future requirements. He tried to cover his inability by rush shipments or excessive inventories. Production was being interrupted every week due to material shortages. Demurrage charges on excessive carload shipments ran up to $5,000 to $6,000 per month.

The man was subsequently let go. It was learned later on that he tried to schedule material in a more or less "seat of the pants" way. The new man set up a relative simple system using the bill of materials and production schedule and regular follow-up and has decreased demurrage to a minimum and stocks are seldom out.

Product Research

Product Research was mentioned in 35 of 144 incidents or 24 percent. The buyer who fails to increase his knowledge of the products he buys is not working at his bull potential. By not making comparisons on such variables as item life, fabrication time, limitations due to specifications, or alternative materials, the buyer is not fully effective. The undesirable results from not completely researching a product are indicated in the next incident.

In an effort to reduce material and container costs, a buyer using value analysis located an alternate container that would provide the company substantial annual savings. The new container was fibre board with special coatings and inner-linings and was designed to replace a steel container for use outside during inclement weather.

The buyer did not do his home work. He did not set up in-plant, intransit and field tests to prove suitability of the container; nor did he present specifications of the container to the sales department. The buyer also accused the sales department of resisting change.

Interdepartment cooperation and goodwill deteriorated further between the purchasing and sales departments. The sales department refused to test the containers and in turn the company lost potential profits through lower costs.

Vendor Assistance

References to buyers seeking the expertise of vendors occurred in 33 of 144 incidents or 23 percent. At times a vendor might suggest a substitute item that would be an improvement, or a vendor might be helpful in taking back parts not needed, or might be willing to provide needed technical assistance. The buyer who does not encourage such actions by vendors is not providing all purchasing advantages to his firm. The following incident points out how a buyer refused a proposal from a supplier which would have improved a purchasing situation.

> An authoritarian-type buyer was offered a spare parts contract involving a nominal investment as a possible solution to a severe delivery problem on high unit-costs items. Slow delivery which resulted in substantial losses to buyer's company. The parts could not be obtained elsewhere and manufacturer stated that he could not afford to carry a larger inventory.
>
> Buyer angrily rejected proposal and insisted it was manufacturer's duty to carry an adequate inventory of spare parts at all times. Buyer stubbornly refused to evaluate realistically the alternatives that were open to him at real cost to his company.
>
> Since there was no alternative, deliveries continued to be slow and buyer's company continued to sustain severe down-time losses.

Inter-Firm Coordination

This activity appeared in 32 of 144 incidents or 22 percent. It related to efforts by the buyer to improve cooperation between himself, members of this firm, and

vendors or customers. When this is not done, or is done poorly, it can contribute to unsatisfactory results. The following incident indicates how a buyer took the wrong approach to correct a problem with a vendor.

> An old, well established, long time dependable supplier started having trouble with deliveries. Our expediter attempted for two months to get them up to schedule. The expediter finally reported his problem to the buyer who then wrote the supplier cancelling all outstanding orders.
>
> The buyer should have first (a) phoned inviting an official of the firm in to discuss the problem, or (b) written a warning letter that all orders would be cancelled if their delivery performance wasn't improved by a certain date.
>
> The purchasing manager, receiving a copy of buyer's letter, directed the buyer to arrange for a meeting with vendor official who was unaware there was a problem. Orders were reinstated, the problem was corrected immediately, and both parties are satisfied again.

Market Analysis

Improper use of Market Analysis was indicated in 26 of 144 incidents or 18 percent. Here the buyer failed to properly investigate the market for information on previous or current supply, demand, or price conditions. An example is shown in the incident below.

> We had been buying a certain item from a particular supplier for three years, and the buyer placed an order with the same supplier for the fourth year.
>
> The buyer assumed that, since the incumbent supplier's product had been very satisfactory, there was no point in buying from a different source.

The buyer later discovered that another supplier could have supplied an equivalent item for significantly less money.

Negotiation

This activity was mentioned in 26 of the 144 incidents or in 18 percent. In obtaining the proper price, quality, quantity and service he desires, a buyer finds Negotiation to be a useful tool. The ineffective buyer does not negotiate when he should, or is unsuccessful in using this technique to develop understanding of terms and conditions. He fails to achieve mutually beneficial agreement with a supplier. The incident below illustrates such a situation.

A large customer order required the use of copper alloy strip beyond the capability of the company's usual supplier for that product. A new supplier was given the order.

The new supplier was advised of the quality requirements for the order and a cursory inspection of the first lot was made at the suppliers plant. The lot was approved and the first shipment was made.

Quality of the first shipment was far below the company's requirements, and it was clear there had been no real meeting of the minds in the original discussion with the supplier. Although the supplier took back all defective products, the company was late in delivery on its contract and lost some of the business to its competitor. By failing to investigate and educate a new supplier, the buyer had done the company a substantial disservice.

Competitive Bids

This activity was referred to in 25 of 144 incidents or in 17 percent. One of the means of obtaining a proper price is by requesting bids from competitive suppliers. When the method is not used, or is used improperly, unnecessary expense may be the result. An example of a buyer who did not use the bid method and paid a higher price is presented below.

> A life insurance company was considering going from a paper premium notice to a "punched card" system.
>
> The buyer simply called in a supplier's representative, explained the need for certain print positions on the card form and asked the supplier to have the form designed.
>
> The supplier's representative sent the information he was provided to his "product-design department" and back came a beautifully-designed form, three colors on front, two colors on back. The design was okayed for production; however, neither the buyer nor the using department had the foresight to check on the price. Needless to say the cost was outrageous!

Forecasting

When a buyer looks into the future and attempts to determine how the economic forces of supply and demand will influence his purchases he is forecasting. The buyer who acts without collecting sufficient facts, or who acts on poor data, will not forecast well. References to this activity occurred in 23 of 144 incidents or 16 percent. A failure to forecast a fluctuating demand for

parts which resulted in a tremendous inventory is described in the next incident.

> A high volume, comparatively expensive part was set up on a delivery per month basis for one year.
>
> No clause allowing variation of the delivery schedule was negotiated in to the purchase order. In addition, the schedule was not checked as production varied.
>
> A tremendous inventory of parts requiring special handling resulted. The vendor refused to take back parts at no cost due to their special nature. Even though the vendor could have refused entirely, he did take back a great number of parts at a less than cost figure. The overall cost of these parts to the company was very high.

Legal Considerations

This item occurred in 22 of the 144 incidents or 15 percent. A buyer wishes to avoid litigation. A failure to consult with proper personnel and to carefully plan for all contingencies can mean delays, increased costs and loss of valuable suppliers. An incident is presented below which indicates the many possibilities which must be provided for to avoid legal problems.

> An electrical turbine at one of our steel mills was in need of repair, and a member of purchasing was asked to make the necessary arrangements. The manufacturer of the turbine had to subcontract cleaning of the equipment by a company equipped to do sandblasting. As there was a general strike by the Teamsters at the time, the sandblasting company had to subcontract with an independent trucker to move the turbine first to the location where it could be cleaned and then to the electrical manufacturer's plant site.

Pressed for time, the buyer made the arrangements and was extremely careful to have the equipment properly loaded on the truck so as to minimize the risk of damage. En route, the truck driver parked his truck in order to have lunch, and some unknown person sabotaged the cables holding the turbine in place. As the driver later approached his destination along a curving road, the load shifted, tipping the truck and seriously damaging the turbine.

In spite of the care taken by the buyer, it was later discovered that, through all of the subcontracting and sub-subcontracting, there was no clear definition of responsibility for the equipment while in transit. Although the buyer thought he was being thorough, he was apparently not thorough enough in view of the fact that sabotage was possible. The electrical manufacturer, the sandblasting company and the trucker disclaimed responsibility, and the steel company had to pay for the damage to its turbine in the absence of a written agreement clearly defining responsibility.

Vendor Relations

Buyers were involved with vendor relations in 21 of 144 incidents or 15 percent. Considerable time and effort may be spent by buyers in locating competent, willing, sources of supply. Once such suppliers have proven satisfactory, action should be taken to maintain their goodwill. The ineffective buyer overlooks this fact or is inept in his dealings with dependable vendors. An example follows which indicates how supplier relationships can be damaged.

An experienced buyer with one female assistant handled annual procurement of approximately $1,500,000. Review indicated could not justify two full time employees for relatively small volume purchases. Efforts to improve productivity disclosed examples of ineffective buying activities.

In many instances purchases of $5.00 and less were resulting in several phone calls seeking quotations in effort to find $.10 and $.20 savings. When such insignificant savings were found, original supplier was called and inference made that he was "cheating" on prices.

Not only was time wasted that could have been better spent on more important items but supplier relationship suffered badly. Certainly an ineffective purchasing performance.

Specifications

References to this category appeared in 21 of the 144 incidents or 15 percent. A buyer may find that when he reviews specifications for an item that an improvement may result from a change in the required design, dimension, or material. A serious error results if the buyer makes a change in specifications without consulting with other personnel who are involved. The following incident describes such a condition.

Lack of communication between departments.

Supplier requested print deviation. Buyer thought he could handle by himself without consulting engineering department and get their OK to ship stud oversize by .010.

Clip did not fit part and cost company $1,500 in rework charges till problem was corrected.

Supplier Evaluation

The buyer will review the capability and performance of his existing vendors, and may visit their facilities to develop information. It is not sufficient that good

suppliers be initially selected, it is also necessary to check on their performance after they have been selected. Comments on this activity appeared in 21 of 144 incidents or 15 percent. One of the incidents points out that an evaluation system can be too complex and also defeat its purpose.

> It was felt by certain individuals that a detailed and complex vendor rating system involving engineering, quality control, and purchasing would prove highly desirable.
>
> He developed a system whereby, engineering, quality control, and purchasing would rate each supplier on all shipments received. If a shipment was one day late ratings were assigned by purchasing. If savings to engineering were lacking, engineering would establish a rating. If rejects were involved, quality control.
>
> A shambles-input was delayed, ratings varied according to the individual assigning them. The whole system collapsed because of the paper work involved, and the combined ratings were meaningless.

Records

The purchasing process generates considerable paperwork. A buyer who fails to maintain complete, accurate records and have them readily available will find it difficult to do his job well. References to inadequacies in this area appeared in 21 of the 144 incidents or 15 percent. The next incident typifies this situation.

> A buyer was pressed for time in placing orders because of new parts being added, and because of pressures from vendors to give larger orders to their company.

> The buyer rather than planning carefully to cover needs, and to order parts on a systematic basis, would give orders over the phone telling the vendor he would confirm it later. Then when the requisition cleared his desk it would be assigned a different order number or might even be assigned to another vendor. Duplicated shipments arrived in many cases, and later vendors would refuse to ship emergency requirements without a written order in their possession. This complicated matters to where his effectiveness as a buyer was reduced beyond practical limits. Buyer was demoted back to expediter where he does a creditable job.

Transportation

References to Transportation appeared in 16 of 144 incidents or 11 percent. It involves buyers reviewing transportation modes, services and possible improvements in delivery time or cost. Poor transportation arrangements are an impediment to a firm as shown in the following example.

> The company was interested in entering a market on products not previously sold. Problem was to find source that had production capability to allow for fast entry for product line expansion.
>
> Vendor selected was located in a poor area, not easily accessible for truck routing causing 7 to 10 days delay in delivery. Vendor was a competitor on a very small basis. As sales increased, delivery problems became a major concern, as the supplier kept falling farther and farther behind, creating serious customer relation problems. Sales feed-back revealed the information that our supplier was also trying to sell our customers to the extent that he revealed that he was our major supplier. This resulted in much loss in business, bad vendor relations.
>
> Plans made to make all products in house and drop vendor as a source of supply.

Substitutions

In order to improve a situation or overcome a problem, the buyer may suggest a substitute product or an alternate manufacturing process to his firm. An inability to develop substitutes or alternatives is a handicap to a buyer and his firm. This situation was mentioned in 16 of 144 incidents or 11 percent and is illustrated below:

> A sales representative approach the buyer with a "value analysis" idea in offering a substitute product for one which had been satisfactorily used for some time. The salesman claimed equivalent or better quality at a lower price.
>
> Told the salesman that our present product was performing satisfactorily and there was no use disturbing the situation.
>
> Salesman asked for permission to see the buyer's superior to which the buyer grudgingly agreed. Joint meeting of all 3 actually resulted in agreement to have the operators try the proposed product. Results have proven the salesman's claims were correct wherein the operators preferred the new product regardless of cost, but with the actual cost savings everyone was happy, except the buyer who would up with a "red face." While we do not advocate product substitution just for the sake of change, we do feel that every valid offering should be studied.

Scrap and Surplus Disposal

This activity occurred in 14 of the 144 incidents or in 10 percent. When a buyer does not secure satisfactory agreement with a vendor on the disposal of unwanted material, or when he does not provide for proper sale or use of scrap, he has failed to perform effectively. This is indicated in the next incident.

Mill supervisor called purchasing representative and reported steel was out of tolerance but they were trying to run production anyway.

Purchasing said OK, that he would notify supplier. Purchasing did not: (1) Get details of how steel was out of tolerance. (2) Tell mill supervisor to take steel out of production line and use steel from another mill order.

When purchasing notified supplier, the supplier agreed to come out and check steel. Two days later when vendor's metallurgist arrived all the steel from this mill order had been run through production. There was no steel left to make a legal claim. The result was a loss of production with much expensive scrap end product produced.

Ethics

There were 12 comments involving Ethics in 144 incidents or 8 percent. When the buyer is not honest and truthful in his operations, it reflects unfavorably on his firm. The next incident indicates such a situation.

Vendor A repeatedly brought new ideas to purchasing agent. Purchasing agent took ideas to Vendor B who always quoted lower prices because his $ & D costs were nil.

Purchasing agent lost an excellent second source of supply. In fact, he was threatened with bodily harm by salesman for Vendor A.

Company was locked in to one vendor thereby eliminating competition.

Target Pricing

A buyer may attempt to develop a proper price by analyzing or estimating a supplier's costs. References to this not being done, or being done improperly occurred

in 9 of the 144 incidents for 6 percent. An example is shown below.

> Buyer advised to arrange for another supplier of product at competitive prices.
>
> Buyer arranged for supplier to furnish product however buyer did not check all aspects of prices and paid more money.
>
> Loss of money to company.

Forward Buying

This activity occurs when a buyer purchases more material than is needed for current needs, but not beyond what is needed in the foreseeable future. Seven of the 144 incidents, or 5 percent referred to this activity. An incident involving unsatisfactory Forward Buying is provided below.

> A salesman told our buyer he could save the company 15% by purchasing a larger quantity of a special grade pipe for well drilling use. The size and length would be standard, but the chemical analysis would be slightly off standard.
>
> The buyer purchased this material from which we manufactured pipe couplings for deep oil well drilling purposes and signed a purchase order for 12 months anticipated requirements for shipment in equal monthly quantities.
>
> The oil companies requested pipe couplings stronger than heretofore because they had to drill deeper for oil and gas and this required pipe having a different analysis using more nickel and chrome so the string of pipe in the ground would not break in half.

Make or Buy

Four of the 144 incidents or 3 percent mentioned this activity. It occurs when a decision must be made whether to provide an item or to secure it from an external source. The firm may rely on purchasing to provide certain information used in its decision. The following incident provides a situation where the buyer performed this activity in an inadequate fashion.

> Typesetting for our in-house print shop traditionally was purchased from local typesetters. One division of the company acquired a composer typesetting machine for its own work. As a service to the other divisions, typesetting and composition was done by the division's personnel on the composer but eventually the manager ruled that this division could no longer accommodate this work. An offer was made to move the composer to a central location and add additional equipment to automate repetitive work.
>
> In taking up the proposition with management, the buyer did not present all the facts that would indicate the economies that could be made. Also, as an additional person would be needed to run the equipment no figures were presented to indicate the return on investment that would result.
>
> A lack of a proper presentation delayed the acquisition of the equipment and in meantime the work had to again be sent outside at considerable expense. This expense will continue until the buyer can assemble facts and figures which justify this acquisition to management.

Age, Experience, and Education

Purchasing personnel from 28 states supplied 144 incidents, each of which described an ineffective purchasing performance. In addition to this information,

the respondents provided data on the age, experience, and educational level of the buyer involved in the incidents. Not every incident contained this information, however. There were 133 reports on age, 133 on experience and 133 on education. Table 7 shows the relationships between the ineffective buyers and their ages.

TABLE 7.--Age of Ineffective Buyers.

	Under 30	30-50	Over 50	Total
Number	37	76	20	133
Percent	28	57	15	100

An examination of Table 7 reveals that by far most of the buyers in the ineffective incidents were between 30 and 50 years of age. Less than a third of such buyers were under 30 years of age and the group having the smallest percentage of ineffective buyers were those who were 50 years of age or older. It might seem that the older group was less likely to be ineffective, but this assumption could be wrong. The figures may largely reflect the age grouping of buyers. In other words, perhaps some 50 percent of the persons engaged in industrial buying may be between the ages of 30 and 50. Thus it would not be surprising to find most of the ineffective buyers clustered

in this range. The data are not helpful on this point. A further analysis will be performed in Chapter VI which may be more useful.

The second characteristic for ineffective buyers on which data were collected was the number of years of purchasing experience. Table 8 reports this information for the ineffective buyers included in this study.

TABLE 8.--Experience of Ineffective Buyers.

	Under 5 Years	5-10 Years	Over 10 Years	Total
Number	57	40	36	133
Percent	43	30	27	100

The data indicate that the more experience a buyer has, the less likely he is to be involved with ineffective situations. It also indicates that the group with the least experience was involved more often than the others in unsatisfactory performance. However, the data might also mean something else--that persons with little experience who are ineffective--do not retain their position. The people with added experience decrease as the years increase. Those who are not satisfactory may be released as time goes on, and perhaps more than 5 years experience

is not relevant. Again, there will be more analysis in Chapter VI.

Finally, data are summarized in Table 9 on the education of ineffective buyers.

TABLE 9.--Education of Ineffective Buyers.

	High School	Some College	College Graduate	Total
Number	32	39	62	133
Percent	24	29	47	100

The data indicate that 62 of the ineffective buyers, or 47 percent had a college education. Another 29 percent had some college and 24 percent did not continue their formal education past the high school level. The first reaction to this material might be to comment that the more education a person has, the more likely he is to be ineffective. Such a conclusion may be true, but another possibility is that most of the buyers in this sample have a college education and this is reflected in the table. Further analysis of the ineffective and effective buyers is presented in Chapter VI.

Summary

This chapter is devoted to the activities associated with the ineffective performance of industrial buyers. The

144 incidents indicating ineffective performance were collected from respondents actively engaged in purchasing. These incidents were examined for the activities of the buyers involved. The activities were then compared to the 28 activities developed for effective buyers in Chapter V. When a buyer was considered ineffective, it was noticed he omitted a necessary action, or performed it unsatisfactorily. All the activities of ineffective buyers were accommodated in the same set of 28 activities that satisfied effective buyers, but the frequency with which they were reported differed considerably.

In addition to the information developed on the activities of buyers judged to be ineffective, other material was collected and presented on their age, experience, and education. It appears that most of the ineffective buyers in this study were between 30 and 50 years of age, had less than 5 years of purchasing experience and were college graduates. A further analysis and comparison of activities and personal characteristics will be undertaken in Chapter VI.

CHAPTER VI

A COMPARISON OF EFFECTIVE WITH INEFFECTIVE BUYERS

A pattern of activities for effective buyers was presented in Chapter IV and for ineffective buyers in Chapter V. In this chapter data from the previous chapters are summarized and compared to determine: (1) whether some buyer activities are more important than others, (2) whether effective buyers are more likely to perform certain activities that others, (3) whether the age, experience, or education of effective buyers is different from that of ineffective buyers, and finally, (4) whether certain activities of buyers are related to their age, experience, or education.

Relative Importance of the Activities

A total of 316 incidents was used in this research. In this total, 172 concerned effective buyers, and 144 concerned ineffective buyers. The fact that fewer reports of ineffective incidents were received may be due to the reluctance of respondents to provide examples of ineffective performance. Such reports tend to reflect unfavorably on individuals and the purchasing organization. Although this research promised anonymity, the respondent might have

feared that someone, somehow, would discover his identity. Indeed, one letter was received with no research information, but with a statement which said, "I've filled these things out before and learned my lesson." Other returns stated "I cannot recall any ineffective incidents," or were returned blank.

The activities referred to in the incidents are listed for comparison in Table 10 in descending order of their total occurrence. From the information in this table, it can be noticed that Profit Potential is by far the most prevalent item in terms of total occurrence and is also mentioned more frequently than any other item appearing in either effective or ineffective incidents. If the frequency with which incidents reporting the activities performed by purchasing personnel can be taken as an indication of their relative importance, then Profit Potential would be the most important. It would be followed by Procedures, Sourcing, Personal Skills, and so on. Table 10 shows what a buyer must do and do well in order to be considered effective. If the buyer does not perform these activities when expected, or if he performs them poorly, he is judged to be ineffective. Purchasing managers may find this listing useful when planning topics to be included in a training program or when making assignments.

For example, a training unit might be built around one or more of the first 8 activities in Table 10. Each

TABLE 10.--Comparison of Effective and Ineffective Buyers by Activities.[1]

Activity	Effective Buyers		Ineffective Buyers		Total Buyers	
	Number	Percent (N=172)	Number	Percent (N=144)	Number	Percent (N=316)
Profit Potential	135	78	109	76	244	77
Procedures	73	42	85	59	158	50
Sourcing	73	42	70	49	143	45
Personal Skills	76	44	60	42	136	43
Organizational Decisions	51	30	61	42	112	35
Departmental Coordination	58	34	50	35	108	34
Quality Assurance	54	31	47	33	101	32
Product Research	64	37	35	24	99	31
Vendor Assistance	58	34	33	23	21	29
Inter-Firm Coordination	49	28	32	22	81	26
Inventory Control	30	17	36	25	66	21
Negotiation	44	26	26	18	66	21
Competitive Bids	39	23	25	17	64	20
Substitutions	47	27	16	11	63	20
Market Analysis	29	17	26	18	55	17
Specifications	30	17	21	15	51	16
Follow-Up	12	7	38	26	50	16
Forecasting	25	15	23	16	48	15
Supplier Evaluation	23	13	21	15	44	14
Records	11	6	21	15	32	10
Transportation	15	9	16	11	31	10
Vendor Relations	7	4	21	15	28	9
Legal Considerations	5	3	22	15	27	9
Scrap & Surplus Disposal	10	6	14	10	24	8
Target Pricing	12	7	9	6	21	7
Forward Buying	13	8	7	5	20	6
Ethics	3	2	12	8	15	5
Make or Buy	7	4	4	3	10	3

[1]Listed in descending order of the total buyers involved with each activity.

activity in this group involved 30 percent or more of the buyers. The number of activities is relatively small, but the number of buyers engaged in each activity is quite large when compared to those in the remaining 20 activities. Since these 8 activities were reported so frequently by buyers, then discussion of the elements leading to improvements in Profit Potential, Procedures, Sourcing, Personal Skills, Organizational Decisions, Departmental Coordination, Quality Assurance, and Product Research would appear to be very worthwhile. It is likely that careful attention to those few activities which are encountered most frequently by buyers would lead to improvement of purchasing operations.

Buyer Performance and Activities

Table 10 was examined further to ascertain whether differences in buyer performance were associated with particular activities. By using the percentage of occurrence for each activity it was possible to prepare two lists, one of them indicating the activities where the percentage was highest for effective buyers and the other list doing the same for the ineffective buyers. The two lists are provided below.

Effective	Ineffective
Profit Potential	*Procedures
Personal Skills	Sourcing
*Product Research	*Organizational Decisions
*Vendor Assistance	Departmental Coordination
Inter-Firm Coordination	Quality Assurance
Negotiation	Inventory Control
Competitive Bids	Market Analysis
*Substitutions	*Follow-Up
Specifications	Forecasting
Target Pricing	Supplier Evaluation
Forward Buying	*Records
Make or Buy	Transportation
	*Vendor Relations
	*Legal Considerations
	Scrap & Surplus Disposal
	*Ethics

For some of the activities shown above there is very little difference in the percentage of occurrence, as given in Table 10, for either type of buyer. There are certain activities however, where a considerable difference does exist and they are denoted by an asterisk. Their appearance suggests that some purchasing activities are more closely associated with one type of buyer performance than another.

The material in Table 10 was reviewed further in an effort to understand the differences in the performance of buyers for particular activities. It is possible that mention was not made of several activities of effective buyers simply because satisfactory performance is what is expected from the normal buyer. If the respondents had mentioned every activity that the buyers accomplished properly, then the activities of effective buyers would probably appear more frequently. Follow-up, for example

is an activity which, it can be assumed, will be done correctly by a good buyer. However it is not mentioned often for effective buyers. Follow-Up was mentioned more than twice as many times for ineffective buyers probably because failure to do Follow-Up would mean poor performance.

A further examination of Table 10 suggests that many of the activities which were inadequately performed by the ineffective buyers could be classified as routine purchasing duties. It seems reasonable to expect the buyer to be familiar with the policies and approved work methods established for his department. A buyer should know how to document all transactions and file them for future reference. He should notice when discrepencies arise between vendor and buyer. He should know whom to contact in his organization when discrepencies appear. Further, it could be expected that a buyer recognize when he was asked to do something outside of company guidelines or was asked to do something by persons not having proper authority. The activities found in this routine group would probably include most, if not all, of the 13 activities mentioned earlier that were identified with ineffective buyers. A failure to properly perform such routine activities may indicate the ineffective buyer needs more and/or better training earlier in his career.

The suggestion was made previously that the effective buyer may be expected to perform the routine duties

satisfactorily. Based on that assumption, the references to the effective buyer should emphasize his performance of non-routine duties. These might be thought of as being more complex and would include most, if not all, of the activities identified earlier with effective buyers. These complex activities would require a high level of technical knowledge about the items being purchased and their use, as well as demanding tactful handling of interactions with people. Buyers with these skills would have understanding of, and concern for, the needs of requisitioners. They would be able to enlist the aid of vendors in solving problems. They would be able to develop cooperation between the groups involved in a certain action. Their judgment and initiative would lead to finding better ways of getting things done and meeting company objectives. There is a possibility that the complex activities might require more training and more opportunities to be involved in a variety of purchasing operations. For this reason the remainder of the chapter will be devoted to an investigation of the age, experience, and education of the buyers in this survey and the activities related to these buyer characteristics.

Buyers Compared By Age, Experience and Education

Although each of the respondents was asked to supply information on the age, experience and education of the buyer involved in each incident, this material was not provided in

every case. A total of 149 of the 172 effective incidents mentioned the buyer's age, experience and education. For ineffective buyers, 133 incidents out of 144 gave this information. Details of this information are shown in Figure 3.

The buyers and their ages are shown and compared in Table 11, while their experience and education will be discussed later in this section. In Table 11 it can be

TABLE 11.--Effective and Ineffective Buyers Compared by Age Groups.

	Under 30 Years	30-50 Years	Over 50 Years	Total
Number Effective	16	113	20	149
Percent Effective	11	76	13	100
Number Ineffective	37	76	20	133
Percent Ineffective	28	57	15	100
Total Number	53	189	40	282
Total Percent	19	67	14	100

noticed that most of the buyers are in the 30-50 age group, and there is little difference in the percentage of buyers who are over 50. A distinction does appear however in the buyers who are under 30 years of age. There are few effective buyers in this group and a noticeably larger amount of ineffective buyers who are under 30. It would appear that younger buyers are most prone to make mistakes

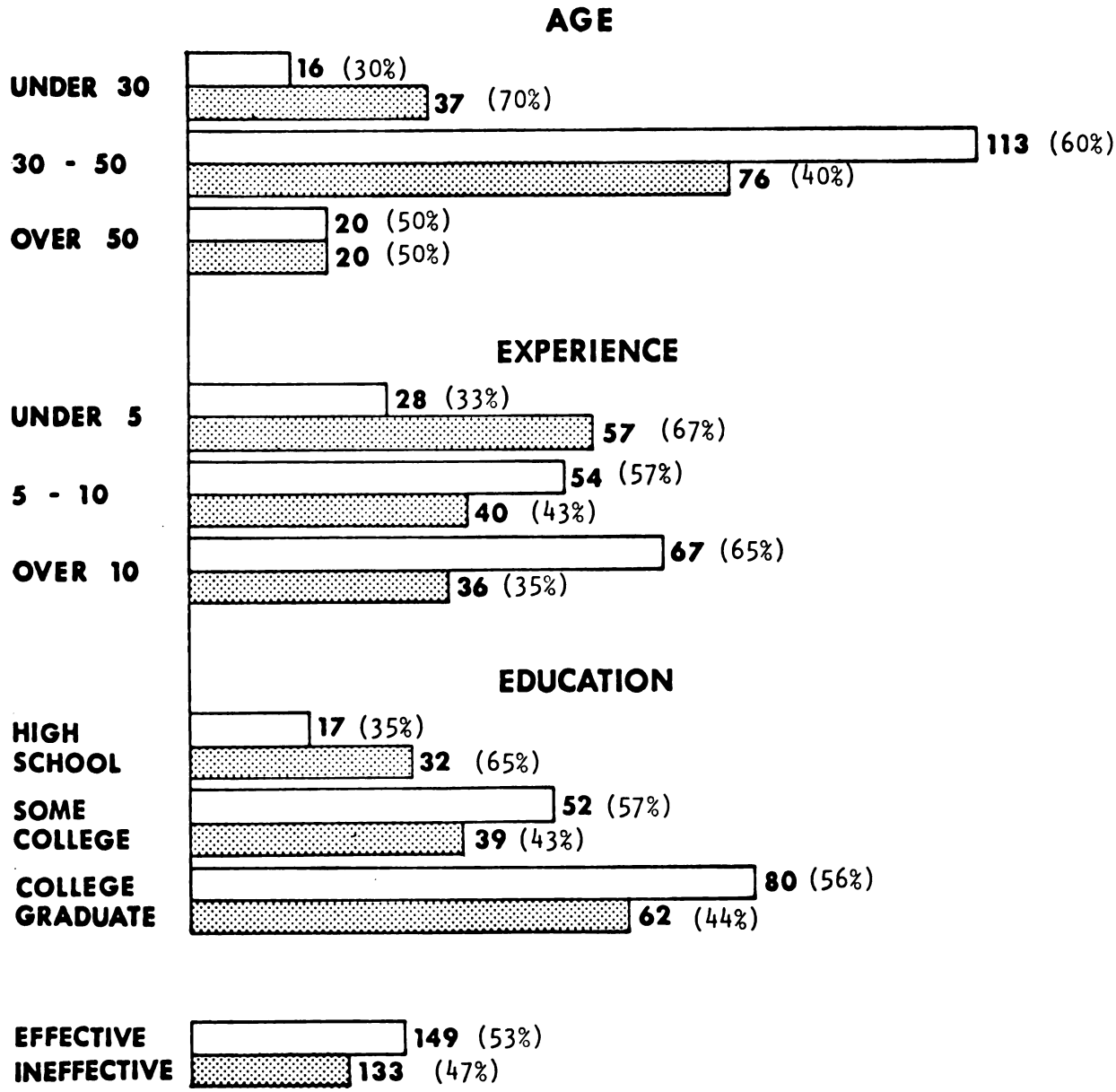


Figure 3.--Effective and Ineffective Buyers by Age, Experience, and Education.

from the information in Table 11 which indicates substantial differences between the numbers of effective and ineffective buyers who are under 30 as well as between those who are from 30 to 50 years old.

The experience of buyers is examined in Table 12. As might be expected, there is a considerable difference between the number of effective and ineffective buyers who have less than 5 years of experience. The largest number

TABLE 12.--Effective and Ineffective Buyers Compared by Years of Purchasing Experience.

	Under 5 Years	5-10 Years	Over 10 Years	Total
Number Effective	28	54	67	149
Percent Effective	19	36	45	100
Number Ineffective	57	40	36	133
Percent Ineffective	43	30	27	100
Total Number	85	94	103	282
Total Percent	30	33	37	100

of ineffective buyers appeared in the group with less than 5 years of experience. This observation is probably linked to the data from Table 11 which indicated that more ineffective buyers were under 30 than there were effective buyers of that age. It seems reasonable that a buyer who is under 30 has probably held his position for less than 5 years. However, it must also be noticed that 37 of the

ineffective buyers were under 30, while 57 of the ineffective buyers had less than 5 years experience. There were 20 ineffective buyers or 15 percent, who were more than 30 years old but had little experience. It would be interesting to know more about these buyers, and their previous job history. Did they enter the firm from college, perhaps with an advanced degree, did they enter from another firm, or did they transfer from within the firm? Additional information on this point might help purchasing managers when recruiting and selecting purchasing personnel.

Finally, it can be observed from Table 12 that as the years of purchasing experience increases, the number of effective buyers also increases. In other words it seems that effectiveness increases with experience. This observation is also borne out by noticing that the number of ineffective buyers decreases as years of experience increases. It is probable then that good performance and experience are directly related.

Education was the final personal characteristic investigated as a means for distinguishing between buyer performance. Table 13 indicates that half of the buyers in this survey were college graduates. A slightly larger percentage of effective buyers, 54 percent, are college graduates compared to ineffective buyers with 47 percent in this group. It may seem surprising that nearly half of

TABLE 13.--Effective and Ineffective Buyers Compared by Education.

	High School	Some College	College Graduate	Total
Number Effective	17	52	80	149
Percent Effective	11	35	54	100
Number Ineffective	32	39	62	133
Percent Ineffective	24	29	47	100
Total Number	49	91	142	282
Total Percent	17	32	50	99

the ineffective buyers turn out to be college graduates. This point will be discussed in the following paragraphs.

Although few effective buyers, 11 percent, had only a high school education, the facts indicate it is possible to be successful in purchasing with such a background. Examination of Table 13 suggests however, that high school graduates are not as likely to be effective as those buyers with more education. Since most of the high school graduates appeared as ineffective buyers, they may be a poor choice when selecting purchasing personnel.

An interesting area to be researched that is outside the scope of the present investigation would consider why such a large number of the college graduates in this study, 62 out of 142 or 44 percent, were reported as ineffective. It might seem that only a small percent of buyers with a college degree would be unsatisfactory

performers. Perhaps part of the explanation lies in their educational background. Evidently a degree by itself does not insure success. Further investigation into the major fields of study between the effective and ineffective buyers might be revealing. Are effective buyers primarily engineers, business administration, or liberal arts graduates? Which buyers have had purchasing courses? What in-service training programs have been available to these buyers? Answers to such questions should be useful when considering the importance of education. It may be that "education" is not as important for buyers as "what kind of education."

Activities of Buyers According to Their Age, Experience, and Education

Each of the 28 purchasing activities was examined to determine the age, experience, and education of the buyers with whom they were identified. Although 316 incidents were received and used in this research, only 282 of the incidents supplied information on all three of these buyer characteristics. This total included 149 effective buyers and 133 ineffective buyers.

Table 14 was constructed to indicate for each of the 28 activities, how many buyers associated with that activity were in a certain age group, how much purchasing experience each had acquired, and the level of their education.

TABLE 14.—Activities of Effective and Ineffective Buyers With Their Age, Experience, and Education.[1]

Activity	Age			Experience			Education		
	Under 30	30 - 50	Over 50	Under 5	5 - 10	Over 10	High School	Some College	College Graduate
Profit Potential	11/25	89/61	10/15	20/42	41/30	55/29	14/28	44/33	58/40
Procedures	8/20	46/47	3/13	14/21	15/23	34/26	5/19	23/24	33/37
Sourcing	8/20	46/34	11/11	15/32	26/19	24/14	5/14	25/21	35/30
Personal Skills	9/14	53/31	7/12	15/20	31/20	33/17	7/17	24/12	38/28
Organizational Decisions	3/16	31/29	6/12	7/23	14/17	17/17	8/17	14/14	18/26
Departmental Coordination	3/11	39/31	9/6	10/20	19/14	22/14	7/12	16/17	26/19
Quality Assurance	6/11	33/26	7/5	9/15	15/16	22/11	5/9	17/15	24/18
Product Research	7/9	43/17	7/8	13/17	21/5	23/12	4/13	24/10	29/11
Vendor Assistance	4/11	42/14	9/6	9/15	22/5	24/11	8/7	16/10	31/14
Inter-Firm Coordination	2/7	35/21	7/2	6/12	17/8	21/10	7/7	14/9	23/14
Inventory Control	3/12	18/18	5/4	6/16	9/11	11/7	4/4	13/16	9/14
Negotiation	4/6	30/13	6/4	7/8	14/8	19/7	4/5	12/6	24/2
Competitive Bids	3/9	28/11	4/4	5/11	16/8	14/5	3/5	16/5	16/14
Substitutions	3/3	32/7	8/3	10/6	19/3	14/4	7/3	14/5	22/5
Market Analysis	2/6	23/13	0/5	6/11	9/8	10/5	0/7	11/8	14/9
Follow-Up	1/11	8/22	2/3	1/13	3/10	7/13	2/9	4/9	5/18
Specifications	3/2	20/12	2/3	5/5	9/7	11/5	2/3	8/7	15/7
Forecasting	4/7	16/11	2/5	6/11	6/7	10/5	0/7	9/7	13/9
Supplier Evaluation	0/4	20/12	1/3	3/10	11/4	7/5	2/4	7/7	12/8
Records	1/4	7/13	0/3	3/8	1/4	4/8	1/6	3/5	4/9
Transportation	2/2	10/12	1/2	2/5	7/4	4/7	0/5	8/6	5/5
Vendor Relations	1/6	4/10	1/4	1/10	2/5	3/5	1/5	0/5	5/10
Legal Considerations	1/3	4/17	0/2	1/7	0/7	4/8	0/5	2/4	3/13
Scrap & Surplus Disposal	0/3	7/8	2/1	0/6	2/4	7/2	3/3	5/1	1/8
Target Pricing	2/1	8/4	1/1	2/3	3/2	6/1	2/3	1/1	8/2
Forward Buying	3/1	9/4	1/2	4/2	4/5	5/0	0/1	7/2	6/4
Ethics	0/4	3/5	0/2	0/6	1/4	2/1	0/3	1/4	2/4
Make or Buy	1/0	4/3	1/0	2/2	2/0	2/1	1/1	0/1	5/1

[1]The numerator is the number of effective buyers in a group. The denominator is the number of ineffective buyers.

In order to develop additional understanding of the number of effective and ineffective buyers identified with an activity, a ratio was formed and entered in Table 14. The buyers reported as effective appear in the numerator and the ineffective buyers in the denominator. As an example, for the activity Procedures, there were 8 effective buyers and 20 ineffective buyers involved with that activity who were under 30 years of age. Also, there were 46 effective buyers and 47 ineffective involved with Procedures who were between 30 and 50 years of age, and 9 and 13 respectively who were over 50. In a similar manner, the number of effective and ineffective buyers related to Procedures can be identified according to years of experience and level of education.

Once the above ratios were established in Table 14, an effort was made to determine whether the particular activity was more likely to be associated with effective buyer performance or with ineffective performance. It was also desired to show how strong such an association might be. In order to satisfy these requirements, an index number was constructed.

The index was formed by using the larger number of buyers as a numerator, and the smaller number of buyers as a denominator, then dividing the two numbers and using the result as the index. To further emphasize the distinction between buyers, a decision was made to identify the index

number as positive if the numerator was composed of effective buyers, and to show it as negative if the numerator was composed of ineffective buyers.

These index numbers can be used to indicate the strength of the relationship between an activity and the buyers in a particular age, experience, or education group. For instance, in Table 15, the activity Procedures has as its largest number under the Age category, -2.50. The minus sign signifies that most of the buyers were ineffective, and the index number indicates that for the group under 30 years old, there were 2.50 times as many ineffective buyers involved with Procedures as there were effective buyers. This is the strongest relationship for the age groups since the other numbers are -1.02 and -1.44 respectively. On the basis of the information shown for Procedures, it is possible to state that linkage to this activity is greatest for ineffective buyers who are under 30, with less than 5 years experience, and with only a high school education. A further observation concerning Table 15 refers to the 9 groups shown under Age, Experience, and Education. In 7 of the 9 groups, for the activity Procedures, the index numbers are negative. This indicates that ineffective buyers are associated with this activity more frequently than are effective buyers. The index numbers then are an indication of whether effective or

TABLE 15.--Activities of Effective and Ineffective Buyers with Indices for Age, Experience, and Education.[1]

Activity	Age			Experience			Education		
	Under 30	30 - 50	Over 50	Under 5	5 - 10	Over 10	High School	Some College	College Graduate
Profit Potential	-2.27	[illegible]	[illegible]	-2.20	+1.36	+1.80	-2.00	[illegible]	[illegible]
Procedures	-1.50	[illegible]	-1.46	-2.28	-1.74	[illegible]	-2.80	[illegible]	-1.14
Sourcing	-2.50	+1.35	1.00	[illegible]	+1.36	+1.71	[illegible]	+1.1	-1.16
Personal Skills	-1.76	-1.71	-1.71	-1.82	+1.05	[illegible]	-2.42	[illegible]	+1.05
Organizational Decisions	-3.33	-1.06	-1.00	-3.28	-1.06	1.00	-2.12	1.00	-1.44
Departmental Coordination	-3.66	+1.25	+1.50	-2.00	+1.33	-1.57	-1.71	[illegible]	[illegible]
Quality Assurance	-1.83	+1.26	+1.40	-1.66	-1.06	[illegible]	-1.90	[illegible]	[illegible]
Product Research	-1.29	+2.52	-1.14	-1.50	+4.20	+1.91	[illegible]	+2.40	[illegible]
Vendor Assistance	-2.75	+3.00	+1.50	-1.67	+4.40	+2.18	+1.14	+1.60	+2.21
Inter-Firm Coordination	-3.50	+1.66	+3.50	-2.00	+2.12	+2.10	1.00	[illegible]	+1.64
Inventory Control	-4.00	1.00	+1.25	-2.66	-1.22	+1.57	1.00	-1.23	-1.55
Negotiation	-1.50	+2.30	+1.50	-1.14	+1.75	+2.71	-1.25	[illegible]	+12.00
Competitive Bids	-3.00	+2.54	1.00	-2.20	+2.00	+2.80	-1.66	+3.20	[illegible]
Substitutions	1.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+2.33	+2.80	[illegible]
Market Analysis	-3.00	+1.70	N	[illegible]	-1.12	[illegible]	N	[illegible]	+1.55
Follow-Up	-11.00	[illegible]	-1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Specifications	+1.50	+1.66	-1.50	1.00	[illegible]	[illegible]	-1.50	+1.11	[illegible]
Forecasting	-1.75	-1.46	-2.50	-1.83	[illegible]	[illegible]	N	[illegible]	1.44
Supplier Evaluation	N	+1.66	-3.00	-3.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Records	-4.00	-1.85	N	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transportation	1.00	-1.20	-2.00	[illegible]	+1.75	[illegible]	[illegible]	[illegible]	[illegible]
Vendor Relations	-6.00	[illegible]	-4.00	-10.00	-2.50	[illegible]	[illegible]	N	[illegible]
Legal Considerations	-3.00	-4.25	N	-7.00	N	[illegible]	N	-2.00	-4.33
Scrap & Surplus Disposal	N	-1.14	+2.00	N	-2.00	[illegible]	1.00	[illegible]	[illegible]
Target Pricing	+2.00	+2.00	1.00	-1.50	+1.50	+6.00	-1.50	1.00	+4.00
Forward Buying	+3.00	+2.25	-2.00	+2.00	-1.25	N	N	+3.50	+1.50
Ethics	N	-1.66	N	N	-4.00	+2.00	N	-4.00	-2.00
Make or Buy	N	+1.33	N	1.00	N	+2.00	1.00	N	[illegible]

[1]The index numbers were formed by dividing the larger number of buyers in each group by the smaller number of buyers in that group. If the larger number were effective buyers, a + was used. If the larger number were ineffective buyers, a - was used. If the numbers were equal, no sign was used. If a zero appeared for the buyers, an N was used.

ineffective buyers are more likely to be identified with a particular activity and how strong the relationship is likely to be.

In preparing to use the data in Table 15, a decision was made to limit any analysis to the activities involving 25 or more buyers. Those activities reporting fewer than 25 buyers in total were not used because of the possibility that the index numbers would be subject to distortion as the numbers got smaller. On this basis then, the material was examined first for activities in which effective buyers were dominant. Dominance was established as a positive index number appearing in 6 or more of the 9 groups under Age, Experience, and Education. The material was also examined for activities in which ineffective buyers were most prominent by searching for activities where negative index numbers appeared in 6 or more of the 9 groups.

Fourteen activities were found which complied with the criteria and they are listed in Table 16.

A review of the information in Table 16 indicates that effective buyers dominate 8 of the 14 activities listed. When these 8 activities were checked in Table 15, a pattern developed which revealed they were performed by buyers who tended to be over 30 years old, with more than 5 years of purchasing experience and more than a high school education. These would seem to be characteristics which are associated with the effective buyer.

TABLE 16.--Activities With One Type of Buyer Predominant in Six or More of the Nine Categories Related to Age, Experience and Education.

Activity	Number of Categories	Type of Buyers
Profit Potential	6	Effective
Procedures	7	Ineffective
Organizational Decisions	6	Ineffective
Departmental Coordination	6	Effective
Vendor Assistance	7	Effective
Inter-Firm Coordination	6	Effective
Negotiation	6	Effective
Competitive Bids	6	Effective
Substitutions	8	Effective
Follow-Up	9	Ineffective
Specifications	6	Effective
Records	8	Ineffective
Vendor Relations	8	Ineffective
Legal Considerations	6	Ineffective

The characteristics for ineffective buyers were sought in a similar fashion. The six activities which were predominently ineffective were studied and their pattern yielded a rather surprising result. They tended to be performed ineffectively regardless of the age, experience, or education of the buyer. Further study of the indices however, revealed that their relative size provided a means for determining which buyers were most closely associated with the activities. For the 6 activities, there were 18 indices to be checked for size. In all but 3 instances, the largest index number appeared with buyers who were

under 30 years old, had less than 5 years experience and no more than a high school education. These would seem to be characteristics which are associated with ineffective buyers.

A final comment on the indices checked for the 6 activities related to ineffective buyers. The indices indicated a rather strong relationship since they ranged from -2.21 for Procedures to -13.00 for Follow-Up. This suggests that for these 6 activities, ineffective buyers were involved from 2 to 13 times as frequently as were effective buyers. This would further support the assumption that a relationship exists between these 6 activities and ineffective buyers.

The previous findings are also interesting when compared to the earlier discussions involving Table 10. It was pointed out at that time that the activities of buyers could be conceptualized in two categories--routine and complex. Additional support for that observation is contained in the analysis just completed. The comments on Table 10 indicated 12 possible activities for the complex group. Eight of these activities also appear with the effective buyers in Table 16. It must be remembered that restrictions were placed on the activities included in Table 16, thus limiting their number. Similar observations would apply to the remaining 6 activities identified with ineffective buyers in Table 16. They are also found in the group developed from Table 10 and would be classified

as routine activities. There is a good possibility then, that complex activities which require a high level of product knowledge and skill in inter-personal relationships are usually identified with effective buyers. In addition, the routine activities, those which are repetitive, stressing detail and documentation, are usually identified with ineffective buyers.

Summary

In this chapter the activities of effective and ineffective buyers were reviewed and compared. The 28 activities were listed according to the frequency with which they occurred and on this basis it was possible to indicate their relative importance.

A group of 12 activities was located which were associated with effective buyers more often than with ineffective buyers. Another group of 16 activities was identified which was linked with ineffective buyers.

Further investigation was conducted on the buyers in this survey by analyzing information on their age, experience, and education. Most of the buyers reported as effective were from 30 to 50 years old; had over 10 years experience; and were college graduates. When the ineffective buyers were compared to the effective buyers, it was found that most ineffective buyers were under 30 years old, had less than 5 years of purchasing experience, and had only a high school education.

The 28 activities were also analyzed in terms of the age, experience, and education of each buyer identified with the activities. An index number was constructed to indicate whether effective or ineffective buyers were more likely to be associated with an activity. The index was also used to reflect how strong the association was between an activity and the buyer characteristics being investigated. Eight activities were found which were closely related to effective buyers who were over 30 years old, had more than 5 years experience and more than a high school education. In other words, when these eight activities were performed effectively, it was by buyers with the characteristics just noted. Six activities were also located which were closely related to ineffective buyers. These buyers were under 30 years of age, with less than 5 years experience, and only a high school education.

Further examination of the above activities suggested they could be classified into two groups: routine and complex. The routine activities would be those which involved normal duties, accepted procedures and methods. They are also the ones most frequently appearing with ineffective performance. The complex activities seem to require higher order skills requiring satisfactory personal interactions both internal and external to the firm.

CHAPTER VII

SUMMARY AND CONCLUSIONS

This final chapter contains a summary of the problems investigated, the research procedure used, and the major findings. In addition, certain conclusions and suggestions based on the research results are offered.

Summary

An important factor for the profitable operation of an industrial firm is the performance of its purchasing function. This study has attempted to provide additional knowledge on the variables affecting the success of a purchasing organization. Much of the information developed in this research may seem intuitively reasonable, but a review of the purchasing literature indicates there is a scarcity of empirically validated data relating to the activities of purchasing personnel.

This study had as objectives: (1) to identify the activities of industrial buyers, (2) to determine whether certain of the activities were related to effective buyers and if other activities were related to ineffective buyers, (3) to collect and compare data on the age, experience, and education of buyers, and (4) to look at the activities of

buyers and see if differences in their effectiveness could depend on age, experience, or education. Finally, the critical incident technique was selected as the research tool, and it was evaluated as a means for developing information about industrial buyers.

The critical incident technique is a method for determining the significant requirements in a given task. Critical incidents are reports provided by qualified observers. They describe what persons were doing at a time when they were considered to be performing their job in a successful or unsuccessful manner. This technique allows the observer a great deal of freedom to state in his own words what he saw happening at a particular time. A search of the purchasing literature did not reveal that this method has been used previously to investigate the activities of industrial buyers. A general report on the findings which resulted from the use of this technique is presented next.

Major Findings

The critical incident technique proved to be a useful research method for investigating what buyers were doing when they were considered effective or ineffective. Members of purchasing associations from 28 states supplied 316 incidents. These incidents described what effective buyers were doing in 172 situations and ineffective buyers in 144 situations. Each incident was examined for key

statements referring to what the buyer was doing--or not doing--when he was judged as effective or ineffective. These statements were abstracted and compared to a list of generally accepted duties which had been developed by a review of the purchasing literature and consultation with a group of purchasing professionals.

As the statements were matched with the list of duties, 28 categories of activities emerged which were sufficient to identify all activities indicated in the 316 incidents.

One activity appeared in most of the incidents for both types of buyers. It reflected a buyer's ability to affect a firm's profits either positively or negatively and is called Profit Potential. It was mentioned in 135 or 78 percent of the effective incidents. The adverse effects of Profit Potential appeared in 109 or 76 percent of the ineffective incidents. The Make or Buy activity was mentioned the least number of times. It occurred in 7 effective incidents and in 3 ineffective incidents or in about only 3 percent of all the 316 incidents.

As the 28 activities were ranked according to the number of incidents in which they appeared, it seemed that such a ranking also reflected their relative importance to buyers and their supervisors. A reasonable assumption could be made that the activities mentioned most frequently would also be the ones with which a buyer should become

most familiar in order to perform well. On this basis then, this study does provide an indication of the buyer activities ranked in order of significance. No reference to any similar arrangement was revealed in the literature search.

Further examination of the 28 activities revealed that 12 of them occurred more frequently with effective buyers and the remaining 16 occurred more frequently with ineffective buyers. It was also noticed that the activities of effective buyers tended to emphasize human relation skills as well as competence in product knowledge. Ineffective buyers, however, seemed to be involved with routine duties. They were inept at following procedures and in communicating with other people. This information suggests effective buyers are distinguished by their ability to perform certain activities and ineffective buyers are associated with their inability to perform another set of activities. The literature search did not indicate any references to this possibility.

When the buyers were analyzed for differences in their age, experience, and education, it was found that effective buyers tended to be over 30 years of age, with 5 years or more of experience and with more than a high school education. It is probably not startling to discover that ineffective buyers tend to be under 30 years old, with less than 5 years experience and with no more than a high school education. This information may well fit in with

a person's assumptions on age, experience and education. Previous studies have been made on these characteristics of buyers. What is different in this study, and what does not seem to have been done previously, is to segregate buyers on the basis of being effective or ineffective and then developing empirical data on their age, experience, and education. This makes possible the comparison of facts with judgment and intuition on these buyer characteristics.

Finally, it was observed that a pattern often developed with the activities which related a buyer's performance and his age, experience, and education. For example, 8 activities were found which were associated with effective buyers over 30 years old, with more than 5 years purchasing experience and more than a high school education. There were also 6 activities which were performed from 2 to 13 times more frequently by ineffective buyers than by those considered effective. These 6 activities tended to be dominated by buyers who were under 30 years old, with less than 5 years of purchasing experience and with only a high school education.

Conclusions

The following conclusions are presented based on the findings of this study:

1. The critical incident technique is a useful instrument for deriving an empirical checklist of buyer

activities. However, it must be recognized that the use of this technique is not a simple process. Personal experience with this method indicates that a good knowledge of purchasing operations is essential before it is used, and extensive practice is required to build a skill in classifying activities.

2. Twenty eight categories of activities have been reported for industrial buyers. Generally, the same kinds of activities are performed by both effective and ineffective buyers. There were 12 activities however, which occurred more frequently with effective buyers and 16 activities which occurred more frequently with ineffective buyers.

3. Effective buyers are capable of developing mutually helpful relationships between their firms and supplier firms. They are able to generate understanding and a team effort in their inter-personal relationships. Finally, such buyers have a superior knowledge of their products and their uses.

4. Ineffective buyers are unfamiliar with, or fail to grasp the importance of, following established procedures and proper channels of communication. They lack competence in handling routine tasks and may not understand the needs of requisitioners. They fail to develop rapport with suppliers.

5. There does seem to be a relationship between the age, experience, and education of buyers and their effective or ineffective performance.

Recommendations

The following proposals are offered.

1. The activities identified for effective and ineffective buyers can be used by purchasing managers as a supplement to their present method for evaluating the performance of their buyers.

2. The activities identified for effective and ineffective buyers should be considered by purchasing managers and other officials who are responsible for planning in-service training programs for buyers.

3. Those who are responsible for orientation programs for new buyers should consider the information in the ineffective incidents relating to procedures and routine duties.

4. The incidents and activities in this study should be a useful material source for educators who are responsible for guiding persons interested in a purchasing career.

5. The incidents and activities in this study should prove useful to persons developing career information and job descriptions for purchasing personnel.

6. The incidents and activities in this study should be useful to industrial buyers as a guide to self-evaluation and self-improvement.

7. The degree to which buyer effectiveness is related to various activities and to the factors of age, experience, and educational preparation needs further study.

8. It is suggested that the critical incident technique be employed in further study of the activity patterns of industrial buyers for the purpose of replicating and extending the findings of this study.

APPENDICES

APPENDIX A

MATERIALS USED IN SURVEY

A LIST OF EXHIBITS IN APPENDIX A

Exhibit	Title	Page
1.	Cover Letter	142
2.	An Illustration of an Effective Critical Incident and an Ineffective Critical Incident	143
3.	Report Form for an Effective Critical Incident	144
4.	Report Form for an Ineffective Critical Incident	145
5.	List of States from which Reports of Critical Incidents were Received	146

Dear Sir:

A purchasing research project is currently underway at Michigan State University. As part of the program I am writing my doctoral dissertation and attempting to identify those critical characteristics which distinguish between highly effective and highly ineffective buyers. It is believed the results of this study will be useful to you and other members of the Purchasing profession.

Will you please take a few moments to provide some of the information necessary for this research?

1. Briefly describe an incident when a person performed a buying activity in such an outstanding manner that he was considered highly effective.

2. Briefly describe an incident when a person performed a buying activity with such disappointing results that he was considered highly ineffective.

In preparing your reply, you may find the examples on the next page to be helpful. Your opinion on outstanding buyer behavior is vital to the success of this project. Will you please return your material by March 31st?

Your reply will be kept in strict confidence. No firms or individuals will be identified in the study. No names are needed in your incidents. Thanks for your assistance in adding to purchasing knowledge.

Sincerely,

Robert I. Cook
Project Director

RIC:ja
Enclosure

Exhibit 2

AN ILLUSTRATION OF AN EFFECTIVE INCIDENT

BRIEFLY TELL THE CIRCUMSTANCES LEADING UP TO THIS INCIDENT.

A patient had a massive gastric hemorrhage in the middle of the night. The nurse was on duty, but no doctor was in the ward.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The nurse called the doctor to come immediately. When he arrived, the nurse was directing two other nurses, one of whom was caring for the patient, and the other who was cleaning up so the doctor could work more effectively. The nurse had also readied emergency stimulants for the doctor's use.

WHAT WAS THE OUTCOME?

The nurse's prompt action provided care for the patient until the doctor arrived. Having needed items available saved time when the doctor began treatment. A few minutes saved were important for the patient's recovery.

AN ILLUSTRATION OF AN INEFFECTIVE INCIDENT

BRIEFLY TELL THE CIRCUMSTANCES LEADING UP TO THIS INCIDENT.

The teacher for a sewing class told the students to buy material and a pattern for making a dress.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The teacher assumed the students knew how to take body measurements in order to get a proper size pattern. The girls had not had this instruction and several patterns did not fit.

WHAT WAS THE OUTCOME?

Material was ruined and the girls were confused. They did not understand why the dresses did not fit.

Exhibit 3

EFFECTIVE INCIDENT

Describe an actual situation in which a person performed some buying activity so well that you felt he deserved to be highly praised. Use the back of the page if needed.

BRIEFLY TELL THE CIRCUMSTANCES LEADING UP TO THE INCIDENT.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

WHAT WAS THE OUTCOME?

Please check the following items about the person involved in the incident.

Age: Under 30____ 30 to 50____ over 50____

Years of purchasing experience: Under 5____ 5 to 10____

over 10____

Education: College graduate___ some college___ high school___

Exhibit 4

INEFFECTIVE INCIDENT

Describe an actual situation in which a person performed a buying activity in such an ineffective manner that you strongly disapproved. Use the back of the page if needed.

BRIEFLY TELL THE CIRCUMSTANCES LEADING UP TO THIS INCIDENT.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

WHAT WAS THE OUTCOME?

Please check the following items about the person involved in the incident.

Age: Under 30____ 30 to 50____ over 50____

Years of purchasing experience: Under 5____ 5 to 10____

over 10____

Education: College graduate___ some college___ high school___

Exhibit 5

A LIST OF STATES FROM WHICH REPORTS OF CRITICAL INCIDENTS WERE RECEIVED

1. Alabama
2. Arizona
3. California
4. Colorado
5. Connecticut
6. District of Columbia
7. Florida
8. Idaho
9. Illinois
10. Indiana
11. Kentucky
12. Maine
13. Maryland
14. Massachusetts
15. Michigan
16. Missouri
17. Nebraska
18. New Jersey
19. New York
20. North Carolina
21. Ohio
22. Oklahoma
23. Pennsylvania
24. Rhode Island
25. South Carolina
26. Tennessee
27. Texas
28. Wisconsin

APPENDIX B

EFFECTIVE INCIDENTS

ACTIVITIES OF EFFECTIVE AND INEFFECTIVE BUYERS

1. Profit Potential. The buyer's activities are reported as producing savings or causing a change in costs. Requires judgment on how to meet company cost goals.

2. Transportation. The buyer reviews transportation modes, services, possible improvements in delivery time or cost.

3. Departmental Coordination. The buyer develops mutually helpful relations with other units in the firm as well as in his purchasing group. Communicates, provides reports, literature, educates. Provides liaison in the firm. Arranges meetings.

4. Competitive Bids. Uses the bidding process. Asks for quotes.

5. Ethics. The buyer is honest and truthful in his operations. Avoids situations which could reflect unfavorably on him or his firm.

6. Follow-Up. The buyer knows the status of purchase orders and takes corrective action when necessary. Follows through to see that procedures are completed satisfactorily.

7. Forecasting. The buyer projects trends for supply, demand, prices.

8. Forward Buying. The buyer purchases more material than is needed for current requirements, but not beyond actual foreseeable needs. Determines when to buy based on changes in the situation.

9. Inter-Firm Coordination. Arranges meetings between himself, members of his firm, vendors, or customers to improve cooperation. Communicates, advises of problems.

10. Inventory Control. The buyer checks stock balances, usage rates, seeks to provide or maintain a sufficient supply of material. Plans to increase or decrease inventory levels.

11. Legal Considerations. The buyer plans his activities to avoid problems in contractual areas.

12. Make or Buy. The buyer is involved in a make or buy situation.

13. Market Analysis. The buyer studies the market for information on previous or current supply, demand, or price conditions.

14. Negotiation. The buyer discusses the various factors of a purchase with a supplier to obtain a better value. Understanding of terms and conditions is sought. Mutual benefits are anticipated.

15. Organizational Decisions. The buyer makes decisions involving the formal organizational structure. He acts on some question related to the chain-of-command or the flow of authority and responsibility. Contacts another unit for advice, assistance or clarification. He may challenge requisitions, releases or recommendations of others. Reacts to orders from superiors.

16. Procedures. The buyer usually follows established procedures. Any changes should bring improvement. May decide to use blanket orders. May omit or change the sequence of a step in the regular procedure. Studies new systems, procedures.

17. Product Research. The buyer increases his knowledge of the items he buys. Studies reference sources, questions salesmen, suppliers, users of similar products.

18. Quality Assurance. The buyer investigates to achieve desired quality. He checks samples, has tests run, compares items, discusses any adjustments with vendor.

19. Records. The buyer is conscious of the importance of maintaining complete, correct records of transactions and having them available for reference.

20. Scrap and Surplus Disposal. The buyer arranges the disposition of excess or scrap material.

21. Sourcing. The buyer searches for suppliers, checks old and new sources. Investigates and evaluates capabilities. May need to develop and encourage a new source. Stimulates competition.

22. Specifications. The buyer reviews specifications and may suggest a change in a dimension, material, or design. He is concerned with standards.

23. Substitutions. The buyer recommends a substitute product or an alternative manufacturing process to his firm. Proposes a solution to a problem.

24. Supplier Evaluation. The buyer reviews the capability and performance of existing vendors. Visits supplier facilities.

25. Target Pricing. The buyer works to develop a proper price by analyzing or estimating a supplier's material, labor, and overhead costs.

26. Personal Skills. The buyer is able to convince others in the firm to accept his proposals. Defends his viewpoints. Spends extra effort, personal time, to solve problems. Weakness in these skills is indicated by a lack of initiative, by delays in taking actions, and a lack of insight in dealing with others.

27. Vendor Assistance. The buyer seeks the vendor's expertise in solving a problem. He asks for suggestions. He may ask the vendor to try a new method or alternative. May also provide assistance to a vendor by buying for him, etc.

28. Vendor Relations. The buyer works to develop friendly, courteous, continuing relations with his suppliers. Intends to create mutually satisfactory inter-actions and to avoid ill-will.

Appendix B contains all the effective critical incidents used in this study. The respondents had been asked to supply data on the buyer's age, experience, and education. This data has been coded and is supplied with each incident in the following manner:

Age = A	Experience = B	Education = C
Under 30 = 1	Under 5 = 1	College graduate = 1
30 - 50 = 2	5 - 10 = 2	Some college = 2
Over 50 = 3	Over 10 = 3	High school = 3

Some respondents did not supply data on age, experience, or education. In such a case the A, B, or C is followed by an "x."

1. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Single source vendor did not have complete knowledge of the market place which resulted in an overpriced product.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer spent extra time and energy researching the product and possible alternate vendors. This effort netted four competitive quotations.

WHAT WAS THE OUTCOME?

Two ameliorative factors occurred:

1. A considerable savings to the company.

2. A new market was created.

A - 2, B - 2, C - 2. (1, 4, 13, 17, 21, 24, 26).[1]

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[1]The numbers in parentheses refer to buyer activities. These activities are discussed in Chapter IV and are listed at the beginning of this appendix.

2. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Purchasing and plant engineering were involved in a "Make or buy" situation for a plant utility supply of nitrogen gas. Two plans were being evaluated--bulk storage tank being supplied by vendor's tank truck or storage tank supplied by our own nitrogen generator. A continuous but varying demand for large quantities of nitrogen was needed. Engineering recommended the outside supplier. Purchasing did not agree.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer, a chemical engineer, who came to purchasing from plant engineering prepared a more detailed engineering report listing many advantages and cost savings that engineering had missed. He secured the support of his supervision and sold both the operating division and engineering on the generator. Much of the work was done on the buyer's personal time.

WHAT WAS THE OUTCOME?

The generator was bought and has operated satisfactorily for many years with substantial savings to the company as audited by the comptroller's division. Engineering had more respect for purchasing's service and appreciated the assistance in this case and asked for more in the future.

A few years later the buyer was selected for a more responsible buying position in a new plant under construction. He is now purchasing agent for that plant.

A - 2, B - 1, C - 1. (1, 3, 12, 17, 26)

3. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We use approximately 1500- tons of electrical steel for motor lamination. Had been buying from steel mills. Quality satisfactory. Price increasing disproportionately. Also had storage and inventory problems.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer researched sources including warehouses. Determined that substitute grade from warehouses could be obtained at competitive prices with stocking program. Had samples run and tested for electrical and mechanical properties.

WHAT WAS THE OUTCOME?

Switched to warehouse source. Savings $0.80/c# with deliveries scheduled every three (3) days. Price includes delivery. Lower cost, reduced inventory, back-up stock.

A - 2, B - 2, C - 2. (1, 10, 13, 17, 18, 24)

4. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Complaints were received by purchasing after delays in construction schedules and increased construction costs due to high amount of mis-match in aligning pipe and fittings for welding.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer made a study of contractor's down time and extra charges which were attributable to mis-alignment of pipe and fittings. The study proved this was a very costly, time consuming problem of several of the contractors as well. He then reviewed his purchase records to pin-point the guilty manufacturers which was fruitless. They were all guilty. Meetings were arranged with various pipe and fitting manufacturers and they were appraised of the problem. It was decided that due to the nature of pipe, there was not much we could do about the problem although they were requested to check their out-of-roundness procedures. The fitting manufacturers were requested to check their guilty control procedures which turned up some interesting facts they were not aware of. After this effort was made, the results were only slightly improved and the contractor's problem still existed. The buyer then suggested that the fitting manufacturers review their allowable tolerances of plus or minus 3/32. Although there was a slight improvement, it was not the final answer. The buyer had no further recourse but to specify the allowable tolerance be plus or minus 1/32.

WHAT WAS THE OUTCOME?

The approach taken was successful in reducing contractor's down time and extra charges. However, it did increase the fitting cost which is very nominal in comparison to the contractor's charges.

A - 2, B - 2, C - 1. (1, 3, 9, 17, 18, 22, 23, 24, 25)

5. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

My assistant works on purchasing non-productive items for our plant. Grinding abrasives expenditure is approximately $250,000 annually. It was a cost reduction project last year and we try to reduce overall cost 20%.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Working with new suppliers, he was able to get abrasives that equal or better the previous material at a 25% reduction in cost.

WHAT WAS THE OUTCOME?

Savings for 1971 of approximately $20,000

Estimated savings for 1972, $40,000

A - 2, B - 2, C - 2. (1, 18, 21)

6. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The research and development department needed a new chemical for evaluation in a new product. The chemical was not needed in large quantities, however its cost was critical to the success of the new product.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer approached several chemical manufacturers concerning their ability to produce the new chemical. Due to the low volume and price restrictions all the suppliers refused to give up any production facility to supply our needs. It appeared hopeless to all concerned.

The buyer continued to pursue suppliers and did locate a small southern chemical plant that was willing to make samples for our evaluation.

WHAT WAS THE OUTCOME?

The samples were satisfactory and the company is now making the material at a reasonable price. To date this product has proven to be very successful and our new product will soon be on the market.

A - 2, B - 2, C - 1. (13, 18, 21, 24, 26)

7. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Material being used had to be free machined as seven operations had to be performed to drill, ream, and burnish a hole through the center of this part. It was an expensive, aluminum alloy first. Secondly, the machining of the material was difficult, tool breakage was high, machine down time was excessive, factory trained personnel had to be summoned to repair machine. The part was costing more than the assembly could bear, to fabricate. Something had to be done.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer learned of the problem. He started researching for a better material and a better method to get the hole. He read, he inquired of salesmen and field engineers. Finally an older sales engineer suggested extrusion. Sample parts were supplied to him and he requested help from product research of the larger aluminum companies. They advised tolerances were too tight. Finally he found a small company that assured it could be done. The company agreed to a sample die and a pilot run was made out of another aluminum alloy that saved .31 per lb. initially and it would eliminate all but the final operation.

WHAT WAS THE OUTCOME?

It was successful. First year savings on material alone was $8,700. Machinery time, tools, and down time--$22,000. Seven years of this has saved thousands of dollars more as the output has increased. A manufacturing problem was shared with purchasing, purchasing communicated with salesmen and sales engineering--together the problem was solved.

A - 2, B - 3, C - 1. (1, 3, 9, 17, 18, 21, 22, 23, 27)

8. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Requirement of a steel or iron threaded connection for an all aluminum part, no known way to purchase or manufacture.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Searched intelligently and dreamed up a way to accomplish. Persuaded a die casting vendor to try.

WHAT WAS THE OUTCOME?

A patent and great success. Improved product, lowered price and greatly increased sales.

A - 2, B - 2, C - 3. (1, 17, 23, 27)

9. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Feed for research animals was being purchased from a leading brand name manufacturer, at a cost of $100,000 per year.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer investigated local grain and feed companies and found one that could produce the same formulations as the name brand producers.

WHAT WAS THE OUTCOME?

Purchase costs were reduced $20,000 a year, and because the supplier was local and responsive to short lead time, the company's inventory was reduced 50%, or about $5,000.

A - 1, B - 1, C - 1. (1, 10, 18, 21)

10. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We needed a fabrication to be delivered by a certain date, the manufacturer could not make delivery but would sell the parts.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer found a fabricator to do the job on schedule and would be done on a time and material basis. After job was completed the buyer thought the price too high based on manufacturer's cost. He asked the fabricator to check the billing.

WHAT WAS THE OUTCOME?

The result was a $1,200 discount due to an error by the fabricator.

A - 2, B - 3, C - 1. (1, 21, 25, 26)

11. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

One uniform supplier was unable to keep up with the orders, necessitating many months' delay in delivery. Local manufacturer services contracted for. Found unable to supply him with a particular button needed.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Secured name of button manufacturer. Secured quotation on minimum quality of 100 gross (more than needed). Contacted other branch outlets to see if they would combine their button orders. Secured enough to distribute with a minimum stock retained.

WHAT WAS THE OUTCOME?

All branches and new uniform manufacturer all satisfied.

A - 3, B - 1, C - 2. (3, 4, 10, 21, 27)

12. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A company in business about fifty years had always sold its scrap to a local scrap dealer on a no questions asked about the price paid for the material. The purchasing manager had been with the company about thirty years, and was in charge of selling scrap. His retirement brought about the appointment of a new purchasing manager who questioned the prices paid for the scrap based on the differential between the selling price of ingot and scrap. It should be pointed out that the majority of the scrap was brass, both yellow and red.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The new purchasing manager contacted a smelter that furnished most of the ingot to the brass foundries his company did business with. The same thing was done with the yellow brass scrap, except in this case it was a brass rod mill which his company purchased most of their brass rod from. In the case of the red brass and yellow brass scrap it was found that with the installation of a chip wringer to remove most of the moisture and accumulating 20,000 lb. quantities a much better price could be obtained from the sale of scrap.

WHAT WAS THE OUTCOME?

A direct cash increase of 10% in the sale of the red brass revenue was obtained. In the case of the yellow brass an increase of 7% was the result. This was reported by the treasurer of the company, who was a CPA, and the above figures were after appropriate allowances for the cost of the chip wringer, additional handling and interest on the money because of longer time periods between sales. The additional revenue was more than the entire cost of operating the purchasing department.

A - 2, B - 3, C - 2. (1, 10, 13, 17, 18, 20)

13. CIRCUMSTANCES LEADING UP TO THIS INCIDENT.

A supplier of a steam generator (boiler) for a large electricity generating power plant quoted a lump sum escalation amount for a delivery three years after date of order. The buyer and his purchasing research group analyzed the advantages and disadvantages of such a lump sum versus the acceptance of an escalation clause made up of a formula and indices.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The analysis made by the buyer organization was an educated projection of the labor and material indices movement for the three ensuing years to determine if the lump sum escalation was a good buy. They projected on a graph the slope of the lines representing material and labor from the years 1967 and 1976. This pointed to a significant increase in both labor and material to be expected by shipment date, which resulted in a projected escalation amount considerably higher than the lump sum proposal of the manufacturer. Everyone was about to accept the lump sum bid as being a very "smart" buy.

WHAT WAS THE OUTCOME?

A further and more careful analysis of the situation revealed a different situation with the use of a linear regression computer program and using the figures for the two indices back to 1946 (the beginning of rising prices following World War II). The resulting curves of 95% probability of correctness resulted in a much reduced slope compared to those first computed, and the lump sum proposal of the manufacturer was considerably more than it appeared reasonable to expect.

Therefore, a decision was made to reject the lump sum proposal and to subscribe to the escalation clause and formula.

A - 1, B - 1, C - 1. (7, 25)

14. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our firm required 100,000 lbs. of a certain type of steel blank.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

On 6 calls, buyer found someone selling some as surplus.

WHAT WAS THE OUTCOME?

Saved $5 cwt or a total of $5,000.

A - 3, B - 2, C - 1. (1, 21)

15. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An overly aggressive salesman conceived an idea to increase sales and engaged a consulting engineer to develop a prototype. The idea sold and the engineer used injection moldings sources in the East to supply the part.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer surveyed Midwest for a molder with equipment large enough to produce the item, located a source in his own back yard and had the tooling and jigs shipped to the local source.

WHAT WAS THE OUTCOME?

In addition to a substantial reduction in price per piece, and freight saving, he eliminated the consultant's fee and saved his company $105,000 in the first year alone.

A - 2, B - 3, C - 1. (1, 2, 21)

16. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Stock protection program for electrical items required a minimum of three vendors to protect company operations

in event of strike, fire or casualty which might result in non-delivery of purchased items. Review program to select vendor with additional capacity to pick up any shortage in delivery by vendor who may encounter delivery problem.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer reviewed all items for a minimum of two or possible three vendors and ability to supply items at standard costs. No premium costs would be permissible in raising quantity deliveries in the emergency period. Assurance of a per cent of business would be available to the participating vendors after problem of strike was settled. Ethics or loyalty for service rendered.

WHAT WAS THE OUTCOME?

One of the vendor's plant was struck for a period of eight weeks, however, through use of the program no delivery shortages were noted during the period of strike by the vendor and no premium costs paid by customer for interrupted service.

A - 2, B - 2, C - 1. (5, 7, 14, 21, 24, 27)

17. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Three years ago coal was in very tight supply due to increased domestic demand and increased exports. As a result our price of coal doubled. Also our coal operating costs increased and plant efficiencies decreased because of deteriorated coal quality. One of our 2 coal suppliers stopped shipping us because we would not pay triple the price which he could get by shipping to the export market. No other coal suppliers could be developed.

Result--Left with one supplier, paying a higher price for poor quality coal which resulted in increased operating costs and lower efficiencies.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer arranged a meeting at our plant with the remaining coal supplier (Coal Sales Agent and Mine Personnel). The purpose in inviting the mine personnel was to show them how the high-priced poorer quality coal they were shipping affected our operation.

The plant manager and the buyer then visited their mine in the coal fields.

WHAT WAS THE OUTCOME?

A. Improved the quality of coal shipped--coal was shipped from only one operation. Previously coal was received from three operations from the supplier.
B. All coal to be from deep mines in one seam. Previously coal was shipped from 3 seams, 2 of which were of low quality.
C. Only selected improved quality coals were shipped. Low or marginal quality coals shipped previously were stopped.
D. A change in their coal preparation was made to improve the quality of coal.

Other results:

Coal prices were stabilized and later reduced, closer communications with coal sources were established, a better understanding of the coal market conditions were obtained, and improved efficiencies and quality of finished product.

A - 2, B - 2, C - 1. (9, 13, 14, 17, 18, 22, 24, 27, 28)

18. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A supplier went out of business and the flow of custom molded material came to a halt. The buyer had 30 days to transfer the molds to a new source and acquire production to prevent a shutdown of his assembly lines.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>EFFECTIVE</u> INCIDENT?

In addition to sending out requests for quotations to other vendors, he personally contacted some of the management personnel of the former supplier as to their plans for the future. The buyer found from these discussions, that five of the top people were contemplating joining forces and starting their own business. He offered them his business to help them get started if they would help to supply him with enough material during the interim. They agreed.

WHAT WAS THE OUTCOME?

During the 30 days period before the former facilities were padlocked, the people involved concentrated on

molding all they could for this buyer and on the last day, all the molds were pulled out and transferred. The buyer had enough material to carry him for 60 days and by that time the new company was in production.

A - 2, B - 1, C - 2. (4, 8, 9, 21, 27)

19. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our company elected to commence packaging our product, using steel strapping, wood veneer boards, corner protectors, and chipboard sheets, as opposed to shipping loose. This required establishing new supplier sources and inventory controls over these high volume materials.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He obtained quotes from suppliers, then negotiated with one to serve as a general supplier for all the various materials under a brokerage arrangement with the other successful suppliers. This one supplier then built storage facilities, purchased material handling and large truck equipment to enable him to distribute these materials to all our plants economically, and then worked on a continuing inventory control/delivery set-up with us.

WHAT WAS THE OUTCOME?

We were able to purchase our supplies as needed without having to stockpile large quantities, and were therefore able to make substantial savings due to quantity discounts even after figuring in the brokerage costs. Since our plants are scattered over a six-state area and the supplier-broker handles the inventory control and deliveries (under purchasing's close supervision) we have freed up our plant and purchasing personnel for other activities. This relationship has worked exceptionally well for about 8 years now.

A - 2, B - 3, C - 1. (1, 4, 9, 10, 14, 16, 21, 27)

20. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A new buyer was assigned to the packaging category with instructions to see if he could improve the pricing structure.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer solicited a number of new sources and found two or three sources interested in helping to reduce packaging costs. He brought these sources and the packaging engineering department together to discuss possible changes in the packaging that would result in significant savings.

WHAT WAS THE OUTCOME?

The new bids were considerably lower than the old ones and resulted in savings of approximately $25,000 a year on the cost of packaging materials.

A - 2, B - 2, C - 1. (1, 4, 9, 21, 22, 27)

21. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Lead for our glass batch was purchased from a supplier on the east coast and was received by rail. Through much work my buyer found a source in Indianapolis that delivers by truck.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He kept searching for a supplier in our area and negotiated price and saved on freight and lead time.

WHAT WAS THE OUTCOME?

Savings to our plant of $45,000 per year.

A - 1, B - 1, C - 2. (1, 2, 14, 21, 26)

22. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Product engineering revised the processing of an assembly from "assemble in company plant" to "buy outside assembled."

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Having reviewed the initial quotations received from suppliers, the buyer could have easily sourced the parts to the lowest bidder. Instead, the buyer went to the plant of the lowest bidder and reviewed the type of equipment to be used for the assembly

operation. It was discovered that the lowest bidder had not made a thorough evaluation of the capability of the special equipment and had simply obtained a telephone quote from their only known source of special assembly equipment. The buyer was aware that the equipment had previously been purchased by two other suppliers who had found the equipment to be unreliable.

WHAT WAS THE OUTCOME?

The lowest bidder requoted at a higher price based on the knowledge that the equipment he intended to use was not reliable. As a result, the assembly in question was sourced to another supplier having more experience with this type of assembly. By carefully reviewing his quotations, the buyer avoided many potential supply problems.

A - 1, B - 1, C - 1. (4, 9, 12, 16, 17, 18, 21, 26, 27)

23. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A need arose to seek a qualified source of supply to completely machine a couple of complicated component parts for a new major consumer product retailing at $99.95.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He researched journals, etc. to seek information reflecting companies with equipment necessary to perform operations. Establishing a target "guideline" cost for each item and proceeded to send out a letter-inquiry to 125 potential sources across the country asking them to furnish a quote to the drawings involved if they could come close to the "guideline" costs.

WHAT WAS THE OUTCOME?

Several companies responded and one was selected to do the job. The net result was a savings of $1 million in capital and about $1.00 per component.

A - 1, B - 2, C - 1. (1, 4, 17, 21, 25, 26)

24. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Part involved: large, complicated design, chrome plated plastic part made from proprietary material.

Supplier notified buyer they were going out of business, creating a tight time frame for new source development.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer developed three (3) new sources capable of making the part from their proprietary material. Scheduled current source to make samples from the new proprietary materials with proposed source representatives in attendance to check tool condition for application to their operation. Proposed sources chrome plated samples for test. Samples tested and approved. Tooling moved to new source location and production quantities run within the allotted time frame.

WHAT WAS THE OUTCOME?

Careful analysis of both the problem and possible alternate solutions, close follow-up of alternate solutions with attention to minute detail resulted in a successful transition from one source to another within the allowable time frame and without adverse effect on production.

A - 2, B - 2, C - 1. (9, 18, 21, 22, 27)

25. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The buyer felt that a particular item was costing us too much, even though there had been competitive bidding among a number of well known suppliers.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Through some research, he developed a list of small, obscure suppliers and encouraged them to bid on the item.

WHAT WAS THE OUTCOME?

One of the obscure suppliers offered the item at 10% lower cost than we had been paying for comparable value.

A - X, B - X, C - X. (1, 4, 13, 18, 21)

26. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

One of our agencies submitted a requisition requesting the purchase of an electronic digital analyzer with

an estimated cost of $13,000. Specifically, the equipment would be capable of disclosing the percentages of various components of cooked luncheon meats. The requisition recommended a negotiated purchase on a single source basis, stating that the agency had been unable to locate any other supplier of a piece of equipment that would accomplish the intended function.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

This being a very unusual request, our buyer was not at all familiar with the industry. He, therefore, consulted our source reference material, located suppliers of similar equipment and sent out inquiries. His response was negative so, as an alternative, the buyer consulted representatives of the meat industry. He discovered they had been using, practically universally, a machine of a different concept to conduct these analyses. He secured the necessary descriptive literature and transmitted it to the using agency for consideration.

WHAT WAS THE OUTCOME?

Within a short time, the agency agreed that the alternate unit would do the job. The buyer then conducted the competitive bid process and bought the alternate for less than $800.

A - 2, B - 2, C - 2. (1, 3, 4, 9, 17, 21, 23, 26)

27. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

It was becoming increasingly difficult for Ken to receive needed repair parts for aircraft seats. The manufacturer's performance was slowly deteriorating. A recent change in management and transfer of work to subcontractors were causing serious delays and shortages. Experienced personnel were leaving the company and others were being fired or furloughed due to the company's financial problems.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Ken contacted a former employee of the manufacturer and indicated that our company and other airlines could not continue to tolerate the poor service being received. Ken suggested that the former employee and others, who were trained in the aircraft seat business, start a company of their own.

WHAT WAS THE OUTCOME?

In a few short months another company was formed. With their expertise, the former employees began manufacturing approved parts for our seats and deliveries once again returned to normal at 10 to 20% lower prices. Ken took an innovative approach to correct our seat problems.

A - X, B - X, C - X. (1, 9, 18, 21, 26)

28. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A routine replacement screw conveyor order became an emergency. The order had been placed about two weeks when the unit in service failed completely. Delivery from the supplier was eight weeks away.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer located three different companies to supply components for the screw conveyor, arranged for assembly in our maintenance shop and had the conveyor back in business in one week.

WHAT WAS THE OUTCOME?

The amazing thing about this is that it saved the company almost $1,200 in procurement and in-plant assembly costs when compared to the original order price.

A - 2, B - 2, C - 1. (1, 3, 12, 21, 23)

29. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We needed a source for plastic molded parts for a new product. Very specialized material and a new molding process was required.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer sent inquiries to various molders and because of an attractive price and agressive selling, one supplier stood out above all others. Normal vendor checks were made as well as a visit to his plant and everything was far above average. When production began parts were not meeting our specifications due to molding problems not anticipated. The vendor then invested a good deal of money to solve these problems. Many weeks passed and parts were improving but all problems were

not resolved. There was heavy pressure from management, engineering and quality control to drop this vendor and go to another one because of the situation.

WHAT WAS THE OUTCOME?

Due to the vendor survey performed the buyer was convinced the present supplier was the best source for this part and he stood by the vendor. In the end the problems with the specifications were resolved, and the buyer is now enjoying an excellent relationship with a very reliable supplier.

A - 2, B - 2, C - 1. (3, 4, 9, 18, 21, 26, 27, 28)

30. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Company introduced a new product with one of the ingredients in a very short supply.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer in charge of procurement of a wide range of chemical raw materials for various divisions of the company utilized his buying position on an item which was a by-product production of the needed ingredient to secure a substantial supply.

WHAT WAS THE OUTCOME?

The company was able to introduce a seasonal item during a period when there was an exceptionally high demand. Needless to say the product has been well received since its introduction.

A - 2, B - 3, C - 2. (14, 27)

31. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Glove consumption within the company was getting progressively high. In fact, the monthly rate of increase was well over $150 per month and had reached a figure of $2,300 per month.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The first step taken was to have all gloves returned to the store room before new gloves were issued. Returned gloves were then sorted and sent out for washing.

The next step to re-evaluate the areas of usage:
A. Leather welding gloves used, only left hand glove.
B. Found wrong type glove being used in many areas.

WHAT WAS THE OUTCOME?

The net result of his study:
A. Buy only left hand glove for welder.
B. Change gloves to higher priced gloves in numerous areas.

Net result of above was a saving in excess of $1,300 per month. A job well done.

A - X, B - X, C - X. (1, 3, 17, 18, 22, 23)

32. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A new high temperature rubber part had been approved at a definite savings.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

While visiting the vendor warehouse, the buyer noticed that some comparable items showed definite signs of poor shelf life. Upon checking further, he found that expected shelf life and special storage were poor. To change would cost more than staying with the old product.

WHAT WAS THE OUTCOME?

The old product was found to be better in the long run. To change would have cost many, many times the savings expected on a per part basis.

A - 2, B - 2, C - 1. (17, 18, 23, 24)

33. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The buyer felt we should standardize on copy equipment. (Xerox, Savin, 3M) We actually had three different machines in different locations requiring separate orders, supplies and service. It was a mess.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer ran a survey of using departments, copy cost, rental cost and service costs. He compared present

annual cost of copy machines with single source contract and suggested relocation of equipment.

WHAT WAS THE OUTCOME?

The proposal was accepted and annual savings is anticipated to the tune of 16% under current costs.

A - 2, B - 1, C - 2. (1, 3, 13, 16, 17, 22, 23, 24)

34. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A part with high usage, was being made from square brass stock. The machining costs were high and almost 50% of the brass was removed in machining.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer reviewed the problem with various sources, and found out that the part could be produced on a high speed automatic machine using a lead alloy material, if the part could have a very slight radius on the corners. He went to engineering and sold the idea.

WHAT WAS THE OUTCOME?

The redesigned part was purchased in the new material at a savings of approximately 50% per part.

A - 1, B - 2, C - 2. (1, 3, 17, 22, 23, 26, 27)

35. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Small rubber component redesigned and supposedly tested. Production lot received. Operation caused failure in assembly of tool.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Data was assembled from many areas to serve as background data. A test was run at an independent laboratory to supply full data. Assembly of data showed that length of part caused a bad condition at the operating point. A redesign with a shorter length was requested.

WHAT WAS THE OUTCOME?

New design was accepted as recommended and subsequent production proved successful. Good liason between engineering and purchasing was developed due to caution not to dictate a policy. Approach based on assemblage of data in such a way as to lead to a successful conclusion by all parties involved.

A - 2, B - 3, C - 1. (3, 17, 18, 22, 26)

36. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Cleaning was being done at a major industrial plant on a daily basis by a subcontractor. Cost pressures were applied to the plant management and everyone was asked to reduce overhead.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer, working with the responsible plant maintenance management people asked, "why not clean office areas every other night." Specifications were drawn, bids solicited and the buyer negotiated new contracts. The buyer questioned the old way and dared to suggest something that, at first, seemed unlikely to succeed.

WHAT WAS THE OUTCOME?

The new approach saved considerable money and was implemented.

A - 2, B - 1, C - 2. (1, 3, 4, 14, 15, 22, 23)

37. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

High in plant rejects and confusion over clarity of specifications for materials being purchased.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Purchasing arranged meeting with vendor and plant metalurgist to clarify and explain specification and verify application of material. Engineering updated specification.

WHAT WAS THE OUTCOME?

The approach taken was successful in lowering production cost and less scrap.

A - X, B - X, C - X. (1, 3, 9, 22)

38. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Large chains for draw benches were purchased from equipment manufacturers for many years because the plant engineering department believed that only the equipment manufacturer was qualified to supply chains to the proper specifications for their machines. Also, ethically we could not use the vendors' drawing or copies thereof, to obtain competitive quotes.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer knew that the equipment manufacturer did not always make the chains in its own shops but very often purchased such chains. Therefore, the buyer insisted that the plant engineering department draw up a set of specifications covering all aspects of the requirements of these chains, leaving the actual design to the chain manufacturers' recommendations.

WHAT WAS THE OUTCOME?

Upon receipt of the specifications the buyer was able to obtain several quotations fully meeting the requirements. Cost reductions amounting to several thousands of dollars were accomplished with savings up to 35 to 40% under the equipment supplier's prices.

A - 2, B - 3, C - 1. (1, 4, 5, 15, 21, 22, 23, 24, 26)

39. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

During the pre-contract award negotiations for test equipment, there was a need to establish a technical base-line for procurement of this test equipment. However, due to the uniqueness of the test equipment, there was some difference in opinion between the prime contractor and subcontractor as to how one of the performance specification requirements could be technically achieved. Due to lead time considerations, it became apparent that the purchase order would have to be placed based on the prime contractor's technical approach rather than the subcontractor's proposed alternate technical approach which was less costly but had not been substantiated as technically feasible.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Inasmuch as the buyer was interested in further pursuing the less expensive technical approach proposed by the

subcontractor, and prior to award of the purchase order, the buyer negotiated an option based on reversion to the subcontractor's technical approach with associated cost savings. During the intervening time between issuance of the purchase order and the expiration date established for the option, the buyer was able to provide additional time to his engineering personnel to study the feasibility of utilizing the subcontractor's technical approach.

WHAT WAS THE OUTCOME?

The additional time allowed by the option resulted in a better understanding of the alternate technical approach proposed by the subcontractor and a further refinement of the option. Such effort resulted in the prime contractor being able to procure the test equipment at significant cost savings, without any degradation in specification performance, based on the subcontractor's alternate technical approach.

A - 2, B - 2, C - 1. (1, 3, 9, 14, 16, 17, 18, 23, 27)

40. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

This past year our usage and the number of different size corrugated shipping boxes continued to expand at our Vancouver distribution center. Shipping boxes are always an expensive item.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Rather than accept the distribution manager's explanation that added business volume necessitated the increased costs, the purchasing manager called the vendor and requested a study be made of the total boxing program. A product engineer spent two days reviewing the actual packaging needs versus the boxes being used.

WHAT WAS THE OUTCOME?

As a result of his study and recommendations the number of different sized boxes were reduced in half. Some were resized. Because of increased volume per size of purchase order, the total corrugated box cost to the department was reduced back to the cost of the previous year. Value analysis has become more than just words.

A - 2, B - 2, C - 3. (1, 9, 15, 22, 27)

41. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Quality control complained that tolerances although acceptable, are always on the very edge of acceptability.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer arranged a meeting of vendor, quality control, and engineering to discuss problem. Several acceptable solutions were involved.

WHAT WAS THE OUTCOME?

Specs broadened to reflect low cost supplier's practices. Other vendors were able to reduce prices because of broader specs.

A - 2, B - 3, C - 1. (1, 9, 18, 22)

42. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Gaskets for open hearth furnace door lifts had to be replaced every weekend using a mechanic and 1 helper on time and half (total 48 hours straight time) to replace 16 gaskets, costing $80 total. Material of the gaskets, chrome tanned leather without any backing for strong support.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Purchased (after a short trial run on one operation) soft chrome tanned leather gaskets impregnated with tallow having brass backup plates at $12 each or $192 total vs. $80 for former type.

WHAT WAS THE OUTCOME?

These higher priced gaskets lasted 22 months vs. 1 week for the former type, however, the time and half times two men per weekend was eliminated resulting in several thousand dollar savings per year.

A - 3, B - 3, C - 3. (1, 18, 23)

43. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A special conveyor belt with flanged edges was special made in short lengths for several types of weighing

and feeding devices. A study of essential specifications was made by the buyer and a common specification developed. Sources of supply able to manufacture were located. By contracting in large quantities it was possible to have the belt manufacturer stock the belt and cut to lengths as shipped.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Studied belting and developed specifications needed. Then negotiated for supply and price.

WHAT WAS THE OUTCOME?

A cost reduction of 44%.

A - 3, B - 3, C - 2. (1, 10, 14, 16, 17, 21, 22, 27)

44. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Trade name lubricants were in use in some areas of the plant.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

1. Started writing individual memos on each product as he came across the buy requirement. These were directed to the quality control manager and labor supervisor.
2. Vendor samples were brought in based on trade name equivalents and suggested company number values.
3. Subject was brought up at every opportunity, coolant committee meetings, daily contacts and followed up by memos. Mention always made of cost vs. possible savings.

WHAT WAS THE OUTCOME?

a. 85% of all trade names have been eliminated.
b. 30% cost reduction on lubricants.
c. Better control of any new machine requirements.
d. Buyer determination paid off through perserverance.

A - 3, B - 2, C - 2. (1, 3, 15, 18, 21, 23, 26)

45. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

After analyzing purchase history records it was apparent that many of our "screw machine" parts were

likely candidates for "cold heading." He was told to send out prints on these parts to obtain cost comparisons.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

1. Sent out quotes on all screw machine parts to several "cold head" firms.
2. Analyzed quotations and projected dollar savings--screw machine vs. cold headed part.
3. Submitted to central engineering for approval.

WHAT WAS THE OUTCOME?

Approximately 27% of the screw machine parts could be manufactured by cold heading. Annual savings to our company based on 1972, projected requirements is $39,000.

A - 2, B - 3, C - X. (1, 4, 15, 17, 21, 23)

46. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Product claims in the amount of $15,000 a year along with strained relations with customers over breakage and seam failure of packaging materials.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Purchasing agent recommended that an in depth study of the materials being used be made, and specifications changed if necessary. Also, check equipment and have adjustments made if required.

WHAT WAS THE OUTCOME?

According to tests made, losses will be cut to 50%. Equipment is running better and will give us higher production.

A - 1, B - 3, C - 2. (1, 18, 22, 23)

47. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

This is an old one but the principles still apply. At one time we employed mules in our underground mines. Our mule fuel was high grade golden straw which was thought to be the only palatable food for these animals. Less attractive, but equally nutritious gray straw was available at considerably lower cost.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Our buyer (long since retired) reasoned that the mules would be unable to tell the gray hay from the golden hay because it was so dark in the mines.

WHAT WAS THE OUTCOME?

Not one complaint was heard from the mules about the gray hay and substantial savings were realized until the coming of mechanized mining equipment.

A - 2, B - 3, C - 3. (1, 18, 23)

48. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

In the purchase of sand castings we encountered large rejects due to porosity. Purchasing felt reject rate would be reduced by use of forging. Management felt price was prohibitive for use of forging.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Instead of giving up, purchasing on five different occasions went back to management. On sixth attempt management gave in.

WHAT WAS THE OUTCOME?

Because of persistence company eliminated all rejects. Does not lose any machine time due to leaky castings. Eliminated 2 leak test operations. Considerable savings in finished cost.

A - 2, B - 3, C - 2. (1, 15, 18, 23, 26)

49. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The company was faced with a substantial price increase on the Phenyl Mercuric Lactate powder. The price was to be increased from $8 per pound to $8.40 per pound. Price was not negotiable because the increase was based on an increase in the base price of mercury metal.

A very toxic and expensive raw material, Phenyl Mercuric Lactate, was used in powder form to produce one of our cadillac products to control stain in lumber. The material was difficult to handle because it was a fine powder and it was dangerous due to high toxicity to

humans. The powder was added to other liquid raw materials and the final product was a liquid.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The company obtained approval from their development laboratory to possibly reformulate their finished product using a Phenyl Mercuric Lactate solution. At this point they asked their current supplier and two competitors the feasibility of supplying the Phenyl Mercuric Lactate in solution.

Phenyl Mercuric Lactate is extremely difficult to prepare in a stable solution form. It took those on the bid list several weeks to work out a system that carried a satisfactory concentration of Phenyl Mercuric Lactate and at the same time would stay in solution under a variety of conditions. Several suppliers succeeded in preparing the stable solution but in turn they also increased the company's cost by approximately $2 per pound.

The company then explained to the suppliers that they were specifically interested in reducing their cost and at the same time have a liquid product. Since the Phenyl Mercuric Lactate powder was originally reacted in a liquid state and then later purified (reactant materials removed) and then dried, these latter steps were certainly costly and perhaps exceeded the needs for their application.

WHAT WAS THE OUTCOME?

To produce a Phenyl Mercuric Lactate liquid product of adequate concentration that would remain suspended and not precipitate was a special problem that had to be overcome.

Evaluations of Phenyl Mercuric Lactate in solution in the "Mother Liquor" or original reactant solution prove that the impurities (reactant materials) were not deleterious. This meant we could then obtain a liquid product containing a much greater concentration (30%) of Phenyl Mercuric Lactate than could be obtained (redissolving the purified Phenyl Mercuric Lactate (about 10%).

The obvious savings from fewer processing steps were passed along to the company in their purchase price.

They also obtained additional process savings in their plant through the elimination of the need to prepare solutions.

A - 2, B - 2, C - 2. (1, 4, 9, 15, 17, 18, 21, 23, 26, 27)

50. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Sampling program on a test market item was completed using 2 cartons in the mail.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer looked at what was done in test market when item was introduced nationally and recommended 1 package with special folds to do 2 package functions.

WHAT WAS THE OUTCOME?

Implemented and saved $100,000 in labor costs while material cost was unaffected.

A - 2, B - 2, C - 1. (1, 23)

51. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Hundreds of purchase orders per year for cartons for mailing and shipping purposes. Undue lead time resulting in overtime charges, etc.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer designed a one piece folder that could be stocked in just 3 or 4 sizes on vendor's floor with flaps scored within 24 to 48 hours after sizes were called in by the using department.

WHAT WAS THE OUTCOME?

Enabled us to place one order with one supplier. Eliminated hundreds of purchase orders. Faster deliveries with less effort. No more overtime charges. Better prices to us. More money to a single source. Many less late shipments from our premises.

A - 1, B - 1, C - 3. (1, 16, 22, 26, 27)

52. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An important classified military weapon could not be used because a weld was unreliable. Purchasing man called in to give advice.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Recommended another type of equipment never previously used for this type of operation. Selected a vendor with proper security. Tested idea and placed order all within 6 hours including 2 1/2 hour travel time.

WHAT WAS THE OUTCOME?

Successful, used by all suppliers by governmental edict in use within 7 days.

A - 2, B - 1, C - 1. (3, 16, 18, 21, 23, 26)

53. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our company had a large order that required the usage of a certain type of tooling. An order was due in three weeks which would have been plenty of time but the company had a called strike.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer immediately contacted another source but they could only meet our need by using another type of material.

WHAT WAS THE OUTCOME?

The buyer made a quick survey among other companies using this material and recommended to engineering we try this new material based on his findings. The new material was used and not only were the parts more economically purchased but the tooling had a longer life.

A - 3, B - X, C - X. (1, 6, 15, 17, 18, 21, 22, 26)

54. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A routine visit by a salesman included a sales pitch for a new product. The purchasing manager recognized the potential for this new product in the plant and

arranged to have a sample supply sent to the plant superintendant for a trial. Trial proved effective.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The purchasing manager was able to relate a material to the manufacturing operation, because he regularly spent time in the manufacturing area and was knowledgeable of what was done in that area. This purchasing manager did more than process requisitions.

WHAT WAS THE OUTCOME?

Lower manufacturing costs.

A - X, B - X, C - X. (1, 15, 17, 18)

55. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer of die castings was informed by a quality coordinator that a screw machine part which mated with a casting he purchased was causing problems and in reality cost much more than it was worth. He thought it should be made as a casting.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Working with the coordinator and engineering, the buyer was able to get the engineer to design a part incorporating both the die casting and the screw machine part into one casting, and persuaded manufacturing personnel that less labor would be required to assemble the revised part into the final product. Savings of $42,000 over the first years use were realized.

WHAT WAS THE OUTCOME?

See above.

A - 2, B - 2, C - 1. (1, 3, 23, 26)

56. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer received a requisition for a specific item from the manufacturing plant. He became familiar with the purpose for which the item was to be used and suggested a less costly but more effective alternate. This was agreed upon by the plant manager and the less costly item was purchased.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer used his initiative, knowledge and experience to seek out a better way of accomplishing the desired objective.

WHAT WAS THE OUTCOME?

The desired objective was accomplished at a lower cost and with less effort upon the part of plant personnel.

A - 2, B - 1, C - 1. (1, 15, 17, 23, 26)

57. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our purchases are made FOB destination. On a particularly large order of steel, the buyer decided to negotiate for hauling as a separate contract.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer showed an interest in saving delivery costs for his company.

WHAT WAS THE OUTCOME?

Purchasing policy now includes purchase of transportation as an item where volume permits.

A - 2, B - 2, C - 2. (2, 14, 16, 26)

58. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Plans had been made for an expansion program with formal approval expected to be granted in 2 or 3 weeks.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

By grasping and analysing the information available from the preliminary plans, purchase negotiations were completed prior to any requests for quotes, specifications, etc.

WHAT WAS THE OUTCOME?

Outcome was an immediate purchase savings of $60,000 plus, which would not have normally been expected or had been available in the past.

A - 2, B - 3, C - 2. (1, 8, 14, 16, 26)

59. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A raw material was being considered during a process change in a manufacturing plant. The quantity was sufficient to warrant a make or buy situation.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer opened negotiations with potential suppliers, enlisted the aid of plant and manufacturing people to fortify his game plan. As negotiation and investigation proceeded, he discovered that the end use of the product was peculiar to the entire raw material industry, which turned the make or buy situation into an entirely new channel.

WHAT WAS THE OUTCOME?

A special end use price was negotiated. A new company was guaranteed a substantial base load for their operation thus permitting their entry into the field and a long-term contract signed giving both parties a mutually beneficial end result.

A - 2, B - 3, C - 1. (1, 3, 12, 13, 14, 16, 17, 21, 26, 27)

60. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our sales department had sold a surplus passenger plane to a foreign airlines with certain modification required to make the aircraft compatible to their fleet, all on a very tight delivery schedule.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer received a requisition to purchase fuel quantity indicating system components reading in kilograms in lieu of pounds measurements used on our aircraft. The buyer checked stock status and found that we had a large quantity of these items in our spares inventory reading in pounds. He was able to negotiate with the vendor to rework our spares to the required configuration reading in kilograms.

WHAT WAS THE OUTCOME?

In reworking the existing parts in our inventory, he was able to save $6,645 and reduce the lead time on

the items from 150 days to 30 days, which assured the parts of being in stock when needed to meet the schedule requirement.

A - 2, B - 2, C - 1. (1, 10, 14, 23, 27)

61. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We needed a new packaging machine. Purchasing sent several vendors to engineering to discuss specifications. Engineering selected three vendors and requested a quote. Engineering had $10,000 budgeted for the machine. The quotes came in, two were over $10,000 and one was $7,000. The statement was made, "I guess we will have to take the $7,000 machine but the $12,000 one is the best for the job."

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Purchasing decided to negotiate for the $12,000 machine. Purchasing asked engineering to estimate manufacturing costs of machine for a cost-price study. We had specified a special hot melt gluing unit to be mounted on the machine. Purchasing checked with the manufacturer to see what the O.E.M. price would be. Purchasing negotiated the $12,000 machine down to $9,500.

WHAT WAS THE OUTCOME?

We purchased a machine that was within our budget. The machine was a good one that could do our job for now but have excess capacity for future expansion. It helped improve relations between purchasing and engineering. It helped to allay the fears that purchasing only takes the low bid and helped prove that we spend the companies money wisely.

A - 2, B - 2, C - 3. (1, 3, 4, 9, 14, 15, 25, 27)

62. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Coal was brought in by carload in August, September, and October and stockpiled for winter use. Fires, through spontaneous combustion, happened several times per year which added to the cost, and also the difficulty of loading from frozen piles during the winter months added to the cost.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Negotiated a contract with local coal yards, with barge dock, to deliver coal by truckloads as required at 10¢/ton greater than carload cost.

WHAT WAS THE OUTCOME?

Though the cost was 10¢/ton more the net savings annually amounted to $65,000.

A - 3, B - 3, C - 2. (1, 2, 10, 14, 16, 21)

63. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A construction project was undertaken involving approximately $3,000,000 worth of materials, supplies, and services. It was desired to complete the project with as low a level of surplus materials as possible.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He negotiated with various suppliers to establish agreements which provided that all materials purchased in good faith and not specifically designed for us only, could be returned for full credit.

WHAT WAS THE OUTCOME?

The project was completed with less than $1,000 in surplus materials--an outstanding achievement.

A - 3, B - 3, C - 3. (10, 14, 16, 20)

64. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

In April, 1970, purchasing received requisitions calling for construction of a major storage tank farm in an underdeveloped country. After inquiries were sent out and before quotes were received, the start-up date target was moved up from February, 1972, to August, 1971. Quotations were received and showed only one vendor able to meet the new timing target, yet two other vendors had lower prices. Total value exceeded 4.5 million dollars.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer involved set up a negotiating team which included engineering and the ultimate decision maker

but with the buyer as spokesman. The team negotiated the only potential vendor to the price level of the best offer. Also, they negotiated additional time for acceptance of the offer to permit a review of specifications and ultimately accept a lower cost alternate. Finally, further concessions were received on the lower cost alternates, as well as on payment terms.

These results were obtained through application of the buyers knowledge of the vendor and the industry, together with his expertise and abilities. He indicated that the effects of the challenge of newness and an awareness of potential benefits as impacting on the results. Having a target price was helpful.

WHAT WAS THE OUTCOME?

A job completed on schedule at a cost level 12% below the original proposal by the only acceptable vendor. The on time performance, in addition, was invaluable in maintaining our company's integrity with the local country's government.

A - 2, B - 3, C - 2. (1, 3, 4, 9, 14, 18, 21, 25, 26)

65. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A distributor had the problem of trying to contract for sufficient material, in a period of tight supply, to satisfy his customers, but yet protect himself against a very possible over-supply and resultant price reduction later in the year.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer contracted for a fixed amount of material (less than total requirements) on which he had some pricing flexibility at a fixed price, and negotiated a sliding scale on the balance, protecting a modest but profitable commission.

WHAT WAS THE OUTCOME?

The over-supply occurred, the price dropped. The distributor in question protected a decent profit while many competitors took loses. Experience tells--the buyer had been through these periods before and realized he should "hedge" his bets.

A - 2, B - 3, C - 1. (1, 7, 13, 14, 16)

66. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Prolonged coal strike. Phase I price restrictions just raised. Phase II guidelines not well defined. Pressure to raise coal prices. One mine from which we bought just closed.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He did an "in-depth" study of relative costs of coal from a number of sources and determined price at which in effect our total costs would remain the same. That became his maximum point. And after negotiation in fact our total costs went down!

WHAT WAS THE OUTCOME?

As stated above, our total cost per million BTU's for coal went down despite the closing of a mine, the settlement of a long miners strike, (at increased costs of labor safety) and a general across the board increase on coal prices.

A - 2, B - 3, C - 1. (1, 13, 14, 25, 26)

67. CIRCUMSTANCES LEADING UP TO THIS INCIDENT.

The company generally buys copper strip material from brass mills with the brass mill supplying a portion of the copper, the company supplying the balance from its own position with copper producers. The price of copper on foreign markets had been falling and eventually fell several cents per pound below the American price.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer negotiated with brass mills and increased the percentage of company supplied copper. He then bought copper on the open market and supplied it to the brass mills.

WHAT WAS THE OUTCOME?

For a period of several months, a saving of several cents per pound, or tens of thousands of dollars was achieved before the American copper price eventually descended to the foreign price. By being sensitive

to other sources for the same material, the buyer achieved a substantial profit contribution to the company.

A - 1, B - 1, C - 1. (1, 13, 14, 16, 21)

68. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We wished to secure lower prices on labels which we have been unable to do through competitive bidding.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Went direct to supplier of paper label stock for our label supplier and through negotiation reduced our label supplier's paper cost.

WHAT WAS THE OUTCOME?

We reduced our cost by going to one of our supplier's sources.

A - 2, B - 2, C - 1. (1, 4, 14, 16, 24, 27)

69. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A supplier of a complex and high priced assembly continually requests price increases, which appear to be out-of-line with actual out-of-pocket costs increases.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

In one particular negotiating session the buyer noticed a component of the assembly for which the supplier was paying $11. The buyer felt this price was excessive and arranged to go out on inquiry on this component.

WHAT WAS THE OUTCOME?

The buyer made arrangements with the prime supplier to procure this particular component from a different source at $6.25 each.

A - 2, B - 1, C - 1. (1, 13, 14, 16, 21, 25, 26, 27)

70. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

In negotiating for a new automotive contract, the plastic field has been coming on strong for its bid

to eliminate metal parts. (This is a metal parts manufacturer.) This has become critical when one looks at the statistics and sees that 5 years ago 10% of these parts were plastic, now they have 30% of the market. Something had to be done from purchasing to close the cost gap.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Labor was evaluated and the number reduced from four people to two. This made a tremendous cost reduction. Purchasing used a value analysis procedure to see what could be done on cost. In negotiating with one supplier only, we brought the cost of material down substantially on one particular part by 30%. We then attacked the parts and eliminated one part from this complete unit and were able to save more money. With such a reduction as great as this, it got special attention from management and by closing the gap with plastics, we were able to keep the business for another year.

WHAT WAS THE OUTCOME?

See above.

A - 2, B - 2, C - 1. (1, 14, 17, 23)

71. CIRCUMSTANCES LEADING UP TO THIS INCIDENT.

The company had been having difficulty manufacturing an aluminum strip product. The high cost of this product was jeopardizing an important company program.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

In negotiations with the company's aluminum strip suppliers, the buyer discovered the aluminum industry makes a similar product. Further efforts proved that the company's suppliers could supply the product at a lower cost than the company could manufacture it internally.

WHAT WAS THE OUTCOME?

A significant cost barrier to the important company program was broken. By being sensitive to the capabilities of suppliers, the buyer made an important contribution to the company.

A - 2, B - 2, C - 1. (1, 12, 14, 17, 23)

72. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The City Motor Pool, which uses approximately 1,000 automobile batteries per year was generally unhappy about performance.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer first met with some reputable battery vendors who assisted in improving our basic technical specification. The buyer then studied usage habits at the motor pool and determined they lacked an efficient record method which prevented documentation of failure to perform within warranty. He designed a simple record system and tied it in to the contract specifications.

WHAT WAS THE OUTCOME?

The resulting new contract is based upon cost per warranted month of usage, coupled with a positive enforcement and record system. Battery cost per month is down; failure incidence is down; average bettery life is much longer; meaning less frequent change. The motor pool's faith in our purchasing operation is enhanced.

A - 2, B - 1, C - 2. (1, 3, 9, 16, 17, 18, 19, 22, 24, 26, 27)

73. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We continually had complaints from carpet companies that lost an order that we had accepted an inferior product.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

We called a meeting and invited in all the dealers in the area and also invited them to bring a factory representative with them. We did not tell them that there would be carpet people present at the meeting.

WHAT WAS THE OUTCOME?

We had them tell us what kind of specifications we should use in asking for quotations. When the orders were eventually placed and delivery was made we had

a sample tested by U.S. Testing Laboratories and found the amount of surface yarn weight was 5% under what it should have been, consequently we received a 5% reduction in the invoice. Since that time we have had deliveries of carpet that met specifications.

A - 2, B - 3, C - 2. (1, 9, 16, 17, 18, 22, 24, 27)

74. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

About midnight Saturday night the main electrical underground feeder burned out. The plant called the buyer at home with the problem. The buyer first did some thinking to analyze the problem. The needed electrical cable was large in diameter, had to be in one piece or three equal lengths, and wasn't exactly a "sugar in a grocery store" item. No electrical supply house would stock it so the question was which manufacturer would have it, where was the plant, and how could you get the answers at one o'clock Sunday morning.

He then thought of an effective salesman who called regularly. Fortunately the helpful telephone operators located him and he supplied the name and home town of the plant manager. Again with the help of the telephone operators we contacted him. By this time it was nearly five o'clock Sunday morning. In spite of this, he volunteered to go to the plant to load a reel of cable on our pick-up which enabled us to have it in our plant by noon, and have the plant operating by five that afternoon.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>EFFECTIVE</u> INCIDENT?

The buyer didn't just roll over and wait until later, he started right then to plan his attack. He succeeded mainly through his use of the standard tools of his trade, namely the salesman, the telephone company, the cooperation of the manufacturer along with his clear concise presentation of the problem, and staying right on the job until it was completed.

WHAT WAS THE OUTCOME?

He is still with the company taking care of similar problems.

A - 2, B - 3, C - 1. (21, 26, 27)

75. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

During a weekend when our plant and offices were closed, a contractor was installing some steam lines for our company underneath downtown streets. On Sunday the contractor discovered that he needed some gaskets to complete a section of the pipe line. Our inspectors called one of our buyers at home, and asked him to locate and purchase the required gaskets.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Our buyer called the owner of a local gasket manufacturing company at home, and told him our gasket requirements. The owner met our buyer at his plant and had the gaskets made. Our buyer then delivered the gaskets to the contractor at the job site.

WHAT WAS THE OUTCOME?

By having the gaskets on hand the contractor was able to complete the section of pipe line.

A - 2, B - 3, C - 2. (21, 26, 27)

76. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

One foundry supplier was over two months late in delivery of castings. Our inventory was almost depleted.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Our casting buyer visited the foundry, arranged a meeting with the president, vice-president, and sales manager, production manager, quality control manager, and sales representative. As a result of this meeting our parts were shipped weekly with minimum loads of 5,000 lbs.

WHAT WAS THE OUTCOME?

Vendor made promises and performed as promised and maintained our schedules.

A - 3, B - 3, C - 3. (6, 9, 24, 27)

77. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer was asked to try to improve delivery of critically needed spare parts for gas compressors. Parts had high unit value and long lead time as even manufacturers could not afford to maintain adequate inventory. While awaiting delivery of these parts, buyer's company was forced to "flare" the gas and lost many times the value of the parts.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Instead of "raising HELL" with the vendor, buyer explained the situation to him, offered to work with him toward a solution and asked for vendor's suggestions. Vendor resubmitted a plan which had been previously rejected by another buyer. Buyer analyzed financial and legal aspects of plan, found it highly advantageous, "sold it" to his company. Solved a bad problem and saved much money. Buyer adopted cooperative attitude and worked with vendor instead of attempting to "drive" him to perform.

WHAT WAS THE OUTCOME?

Parts are now available over 90% of the time and a sizeable annual savings is realized.

A - 2, B - 3, C - 1. (1, 6, 11, 16, 26, 27, 28)

78. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The standard format for airline timetables was submitted to a number of printing suppliers. Each of the vendors working from the same set of specifications were offered an opportunity to make a formal presentation of their proposal. Continuing with the same format with rising costs required a yearly escalation for timetables.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer, recognizing rising costs, asked the vendors to submit to him alternative approaches for printing of the timetables. Action was taken without authority from the using organization. It was desired by the buyer to know how the vendor could produce equivalent information using his methods of format.

WHAT WAS THE OUTCOME?

One vendor supplied a totally new format which cut costs 50% and with proper presentation to the user (marketing) it was accepted by the company with substantial savings.

A - 2, B - 3, C - 1. (1, 4, 15, 16, 17, 23, 26, 27)

79. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We were generating a large amount of scrap at another division. It was thought it might be possible to use in an operation at this plant for injection molding.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Received samples of scrap--tried molding and had no success. He did not abandon project but sought help from outside suppliers. With an additive and concentrate was able to use this material in production.

WHAT WAS THE OUTCOME?

Had to:
1. Buy him a new suit since he was in the production area doing research himself and did ruin his suit.
2. Are now paying approximately .09/lb. for raw material processing cost including labor vs. .28/lb. for virgin material to do same application. Cost savings over $80,000 per year.

A - 2, B - 2, C - 2. (1, 3, 17, 20, 23, 26, 27)

80. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our department was introducing a new product. We were not doing as well as anticipated in sales due to the high prime cost. One part in particular appeared to be out of line. I challenged the buyer to reduce the price from 75¢ each to 40¢ each.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer talked with his various suppliers who could manufacture this part. He explained his goal and worked with the successful supplier (who also was current source). They did a cost breakdown on current process and competitive processes. Finally settled on a new approach which engineering accepted.

WHAT WAS THE OUTCOME?

Net result was a $62,000 savings the 1st year. A higher performance part, easier to produce and finish. Both buyer and seller were happy over the outcome.

A - 3, B - 3, C - 3. (1, 9, 17, 18, 23, 25, 27, 28)

81. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer is given the responsibility to procure a subsystem on a "sole source" basis. The supplier objected to many contractual provisions and documentation provisions.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Various meetings were arranged by the buyer with responsible contractor personnel. The meeting resulted in the acceptance of the supplier's positions as proposed. The supplier was contacted by the buyer and was told that each party was somewhat "apprehensive" about doing business with each other, however, if each party would work together, a mutually beneficial conclusion could be reached.

WHAT WAS THE OUTCOME?

Each party put forth a great deal of extra effort and a result, the parts received on time were of an excellent quality and the supplier made a good profit on the contract. In addition, the above mentioned "apprehensiveness" has disappeared and each party is eager to contract with each other.

A - 1, B - 1, C - 1. (3, 9, 11, 14, 18, 21, 26, 28)

82. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Increased number of customer's complaints on condition of cases and labels. This condition was traced to the adhesive used.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Cooperation of vendors was requested by purchasing agent to revise an "out dated" approved list of adhesives. A new program was developed, based on one supplier for each plant rather than several suppliers.

WHAT WAS THE OUTCOME?

Improved adhesive performance resulted in less customer complaints as the appearance of cases and labels improved. This also re-established control of the corporate purchasing department over the purchase of adhesives.

A - 1, B - 1, C - 1. (15, 16, 17, 18, 23, 27)

83. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Started receiving inferior quality leather from a supplier. Late deliveries and in some cases failure to deliver on schedule. The buyer set about investigating conditions at the suppliers tannery and decided to go there to have access to problems.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Went to the tannery and determined that the supplier was in financial difficulty to the extent he could not procure proper raw materials to produce the leather. He had material coming through a broker in London, England, from India that was impounded due to failure to pay. Buyer went to London, bought the skins, had them directed to the tannery.

WHAT WAS THE OUTCOME?

We are receiving leather of proper quality on time and will be able to continue production of this item.

A - 2, B - 3, C - 2. (9, 16, 17, 18, 24, 26, 27)

84. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A life insurance company was considering going from a paper premium notice to a "punched card" system.

The buyer was told that the document was not intended to be an advertising piece but a simplified notice of premium due, etc.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer called in a supplier's representative to solicit help in the design of the form, but explained

to the sales representative that it was necessary to stay within a price structure or cost framework to make the project feasible.

WHAT WAS THE OUTCOME?

The supplier's representative, forewarned of the need for frugality by the buyer, sent in for two form designs--one a simplified version, and a second with an added color frill, so the using department had a choice related to cost. This proved to be a satisfactory approach.

A - 2, B - 3, C - 1. (9, 25, 27)

85. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

In 1969 when the economy was at a higher level of activity, foundries who had previously been requesting 60 day lead times gradually increased to 4 months, 6 months, then to 10 months. To allow such lead times greatly increases the liability risk to the customer.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

On hearing of the increase to 10 months, the purchasing manager arranged through his buyer to call in a foundry management representative from each foundry to determine precisely what action the foundries took upon receipt of purchase orders for delivery 10 months later. Their reply was "nothing--we are presently running a full capacity, and we extended our lead time to advise you how busy we are."

WHAT WAS THE OUTCOME?

Lead times were immediately reduced back to 60 days.

A - 2, B - 3, C - 2. (9, 11, 27)

86. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

In these days of multiple and excessive price increases, a good buyer should identify unreasonable price increases and vigorously resist the increase. Cliff, in his daily search for such items noticed that a main landing gear cylinder was priced at $13,337.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

First, Cliff took time to identify the cylinder as a possible overpriced item. He checked our order files and found that the previous price was only $8,240. Immediate action was taken with parts sales by protesting the increase. Vendor indicated initially that production and sales were down to such an extent that the increase wasn't too abnormal. Cliff insisted that a price analysis be made which in the end indicated that the $13,337 charge was an error and the old price was reinstated.

WHAT WAS THE OUTCOME?

See above.

A - X, B - X, C - X. (1, 13, 17, 25, 26)

87. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A machine designed for another purpose was proposed to solve a manufacturing process problem. If the machine would not solve the problem, it would have no other utility for the purchaser.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Anticipating the possibility of a misunderstanding regarding acceptability; detailed performance specifications, trial period, notifications, and terms and conditions of rejection were detailed as completely as possible, and submitted to the seller for approval prior to commitment.

WHAT WAS THE OUTCOME?

The machine did not perform and after a one-year trial was returned for the credit agreed to in advance without any problems between buyer and seller.

A - 2, B - 3, C - 1. (11, 14, 16, 18, 28)

88. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Equipment engineering manager, electronic equipment manager and buyer, working as a team solicited bids from several electronic equipment manufacturers, furnishing specifications to each. This equipment was to be used in life testing semi-conductors (Diamond Package and Doorknob Package).

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The team visited the plants of each bidder and selected the TD Company which was not only the low bidder, but appeared to have the best "know how" and capability. A purchase order was issued to this company.

Trouble developed when the construction was very far along--the devices to be tested would not fit tightly enough into the test bar to make proper electrical contact.

WHAT WAS THE OUTCOME?

The buyer had samples of a patented fastener which, when inserted into the hole and turned, expanded to accomplish a tight fit. He, together with the equipment manufacturer, made a trip to the fastener manufacturer and as a result of clamp and lever were designed to fit the fastener and the devices were held in place securely enough to make proper contact.

Buyer was commended and later upgraded to higher position. Equipment was delivered on time and operated to specs.

A - 3, B - 2, C - 1. (3, 4, 9, 17, 18, 21, 23, 27)

89. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An annual increase was noted in the cost of inventory (per lb.) in the non-ferrous metal stock. Request was made to analyze program maintaining approximate same on hand stock for production as only restriction.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

1. Review present policy with present vendors.
2. Solicit suggestions-recommendations of vendors.
3. Change shipping dates to plant through combining shipments with others in the area and more freedom to vendor to specify shipping date--while at the same time consolidated billing date to one monthly vs. former one shipping invoice for each shipment.
4. Weight limit on coil stock changed to conform to vendor requests.

WHAT WAS THE OUTCOME?

Monthly (one) invoice reduced E.D.P. expense--one payment per month. Combined shipments at vendor choice reduced shipping costs. Production control released from daily follow-up of stock requirements and vendor maintained current requested stock by using invoice figure for determining shipment releases. Vendor responsible for maintaining stocks.

A - 2, B - 2, C - 1. (1, 2, 9, 10, 16, 22, 27)

90. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Service shop investigated possibility of installing generators and air compressors on 6 service trucks. If successful they planned to equip all such trucks (24) with like equipment. Their investigation and negotiation had resulted in a $750 cost per truck for 24 trucks.*

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer was requested to purchase equipment for 6 trucks. His investigation resulted in buying the above equipment plus a small welder--thus giving servicemen welding capability--for $600 each.

WHAT WAS THE OUTCOME?

The outcome has been that service department is equipping all 24 trucks as the buyer suggested at about $575 per truck. In addition 4 trucks are also being equipped for lubricating and greasing capability.

*These trucks are used to service heavy equipment (caterpillar) in the field.

A - 2, B - 1, C - 2. (1, 17, 21, 23)

91. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A very large high pressure fractionating column for a petrochemical plant was needed. These columns are normally fabricated in a shop and shipped to plant site for installations. However, the size of this one required final fabrication be performed at the site. Company engineers felt this installation was quite unusual and wanted bidding limited to only one supplier in which they had the greatest confidence.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer for this requirement insisted on soliciting bids from additional suppliers, and obtained one which was more than $100,000 lower than from the fully approved source. The engineers felt, still, this source was not fully qualified to perform satisfactorily in this instance. An inspection trip to the supplier's plant still did not convince them. The buyer, however, continued to push for accepting the lower bid. Finally the matter was referred to higher engineering authority where it was concluded that for the difference involved, a company inspector could be assigned to monitor the work and assure that our standards would be met.

WHAT WAS THE OUTCOME?

The lower bid was accepted and the work performed under the supervision of our inspectors. A fully satisfactory column was furnished at considerably less total cost.

A - 3, B - 3, C - 3. (1, 4, 9, 15, 16, 18, 21, 26)

92. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The company and industry was reluctant to experiment with a different from of an ingredient required to produce a certain product.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Held fast to his belief that experiment would work effectively. Buyer continued to work for experiment.

WHAT WAS THE OUTCOME?

Experiment proved successful. Company enjoys savings of great magnitude.

A - 2, B - 3, C - 2. (1, 23, 26)

93. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A long term supplier notified us that they were terminating operations within three weeks. The product supplied by them was a major component of our product.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer, along with representatives of the production, traffic and administrative departments, visited seven

other suppliers of the same product to determine their capabilities. It was found that of the seven--four were able to meet our demands.

WHAT WAS THE OUTCOME?

As a result, our new supplier is able to do as good a job, at a lower cost to us by implementing some production short cuts recommended by our buyer and production department representatives.

A - 2, B - 1, C - 1. (1, 9, 18, 21, 27)

94. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The actual inventory was different from the control cards on a fuseholder that had a lead time of 8 weeks. Materials manager requested 14 pieces within 2 weeks or we would have to shut down the assembly line.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer researched and found an equivalent fuseholder that could be used. He got engineering approval and then ordered these fuseholders. These fuseholders were specials and were made in the prototype shop of the manufacturer, then shipped by air freight within 10 days.

WHAT WAS THE OUTCOME?

The product line continued to flow smoothly with no shut down. . .

A - 2, B - 2, C - 1. (2, 15, 17, 21, 23)

95. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Large conglomerate-type corporation; one of its groups has over 40 manufacturing facilities. Approximately 30 of these buy electric motors. Since each manufacturing facility has its own purchasing department, they all buy their electric motors independently.

The purchasing man at the group's headquarters decided there would be an advantage to the corporation, if they were to take advantage of the group's total motor volume purchases and negotiate prices that would apply to all divisions. He carefully surveyed each division's use of electric motors, determining types, sizes,

quantities and dollar volume. He put all of this volume together into one package and negotiated with seven major motor manufacturers.

Annual savings will amount to approximately $650,000 a year. The program has been in operation for six months and has been considered highly successful.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The purchasing man, realizing that several of the divisions were large electric motor users and knowing that motor purchasing was a very important part of the purchasing department's function, was very careful to work closely with the divisions at all stages of the program.

For instance, he held meetings at key divisions with the purchasing manager, the electric motor buyer and the plant manager, carefully outlining his program and his goals. He asked for their suggestions and help and promised to keep them advised as the program progressed. He also asked certain key motor buyers for their help in future negotiations. After the negotiations were completed, he once again visited these divisions to outline the agreements that he had made with four major motor manufacturers. The agreements will allow the individual plants to place their own orders, but at prices that take advantage of the corporate volume.

It was important for this purchasing man to be keenly aware of the sensitivities of the divisional purchasing departments, particularly those where motor purchasing was their most important buying responsibility. He was aware that his program would not succeed without their cooperation and, to overcome the natural resistance to change, he worked closely with them at the start and throughout the program.

WHAT WAS THE OUTCOME?

The outcome has been a successful program which is saving the company well over $650,000 annually. Key motor buying purchasing personnel are keeping the headquarters office advised of the electric motor market in their particular areas and there has been an excellent spirit of cooperation throughout all the divisions.

A - 2, B - 3, C - 1. (1, 3, 13, 14, 15, 16, 17, 21, 26)

96. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer was instructed to purchase "BOLTS" for a multi-plant structure.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer communicated with the manufacturing plants in order to determine their annual requirements and made allowances for balances "on-hand." Proper analysis was made of overall requirements and an economical price was agreed upon with the vendor.

WHAT WAS THE OUTCOME?

Manufacturing plants received correct quantity at lower cost.

A - 2, B - 2, C - 1. (1, 3, 10, 14)

97. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Profit oriented buyer recognized need to motivate supplier representatives in areas of cost reduction and consequent savings.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer proposed to his department head that he be placed on department meeting agenda to offer a proposal for the guidance of all purchasing personnel. At the meeting the buyer offered a formal recommendation that would stimulate supplier sales people to call with a specific recommendation that would in fact reduce buyers costs.

WHAT WAS THE OUTCOME?

Resultant formal program achieved a continuing recordable series of dollar savings and more meaningful Buyer/Seller interviews and meetings--seller rewards resulted through greater volume and advanced stature with buyer company.

A - 2, B - 3, C - 1. (1, 3, 9, 26, 27)

98. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

One of the most useful tools available to the buyer is the requisitioner. A requisitioner can be the

difference between a buyer making an effective decision or an ineffective one. His decision on what, when, where, and how to purchase is based on the written raw material found on the requisition.

Case-in-point: Whose fault is it when a requisitioner submits a requisition with a vague or impossible delivery requirement, with an incomplete item description, or with other vital data garbled?

One answer--and it's a tempting one for any buyer who gets such a requisition--is that the blame lies squarely with the requisitioner. At this point a rash and very ineffective approach would be one of verbally criticizing the requisitioner; ridiculing him for his incompetency; and using the garbled and vague data to place an order. One can very easily see the results of such a decision:

A. The buyer issues an order a vendor will be unable to fill or will comply incorrectly.

B. The buyer's rash action has revealed he is not the public relations man he must be in his capacity.

C. Most important he has destroyed a valuable line of communication.

But the truth is that, in answer to the question posed; educating the requisitioner is one of the most important parts of a buyer's job. If a buyer shirks this responsibility, he'll wind up spending more and more time expediting badly placed orders, instead of being free to concentrate on important matters.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>EFFECTIVE</u> INCIDENT?

In our case-in-point the effective approach for a buyer will be to take initial time to review the essentials of a requisition with the requisitioner. Through this education process he will demonstrate to the requisitioner that each party concerned has a responsibility to the other in order to effectively carry out the purchase order. Thereby obtaining what <u>their</u> company requires. Above all this effective approach will maintain a good relationship and line of communication between buyer and requisitioner.

WHAT WAS THE OUTCOME?

See above.

A - X, B - X, C - X. (3, 15, 26)

99. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The professional buyer had knowledge of the time intervals required to:

1. Make the decision of make or buy.
2. Select a list of qualified quoters.
3. Provide sketches, drawings and specs., allowing sufficient time for the supplier to quote.
4. Evaluate the responsiveness of the quotation.
5. Select the supplier and negotiate price, delivery, and quality.
6. Make the final award.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He was in constant contact with the requesting organizations so that he knew the requirements that were approaching. Before the drawings and specifications were complete, he made the decision on a supplier's/quoters list and prepared the request for quotation documents and had visited the prospective suppliers plants to determine qualifications. When the final drawings and specifications were available, the buyer had cut the lead time by approximately 30%.

WHAT WAS THE OUTCOME?

He was able to serve the requisitioner in a much more timely and orderly manner. The outcome of this effort was that he met production schedules and obtained the kind of quality required for the final product.

A - 2, B - X, C - 1. (3, 4, 9, 12, 14, 15, 16, 18, 21, 26)

100. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A major supplier of fasteners had long standing and close relations with key managers throughout our organization in addition to those which normally occur between a supplier and a purchasing department. Our buyer was increasingly concerned about the in-roads being made by lower cost foreign fasteners on our

market, but was unable to bring effective pressure on our domestic supplier because of his relationships with our management.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer sold our management on the seriousness of the situation and convinced them to back up his threat of switching to a foreign supplier unless something was done to make us more competitive.

WHAT WAS THE OUTCOME?

This team effort caused the supplier to hear the same tale of woe and expressions of concern for his future with our company from all his contacts. The buyer was subsequently able to negotiate price discounts on major portions of this supplier's line.

A - 2, B - 2, C - 1. (1, 3, 13, 14, 15, 21, 26)

101. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Engineers, next to the purchasing organization, had the most contacts with suppliers and potential suppliers. However, they were either ignorant of or ignored the company's basic purchasing policies, thus contributing a detrimental effect to the company's image.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

A buyer suggested that the resident manager of purchasing hold a series of meetings not only explaining the company's basic procurement policies, but the rationale behind the policies. Also, time was afforded for discussion and questions by the engineers.

WHAT WAS THE OUTCOME?

The engineers had a better understanding not only of what the company policies were, but of the reasons for such policies. Teamwork effort to obtain the best value for the company dollar expended was increased.

A - 2, B - 3, C - 1. (3, 15, 26)

102. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The buyer being very knowledgeable about pipes, valves, and fittings which he purchased for years, received a bill of material from the engineering design section calling for a type of steel pipe, and an outside and inside coating that he judged to be unnecessarily costly considering the function the finished pipe was to perform as indicated in the "use" section of the bill of material.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer scheduled a meeting with the conceptual and design engineers of his company's project and showed them the relative pricing of the pipe and coating they had requisitioned and the pipe and coating that he had learned from years of experience might meet the function and requirements. He furnished them with the chemical contents of the steel pipe being recommended as compared with the requisitioned pipe and the characteristics of the coating. The engineers agreed with the buyer and the originally conceived pipe and coating were abandoned in deference to the buyer proposed materials.

WHAT WAS THE OUTCOME?

The savings as incurred in this incident amounted to $62,000 with a final purchase price of $51,000.

A - 2, B - 3, C - 3. (1, 3, 15, 23, 26)

103. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Lift trucks had been purchased at our individual plants at a low discount and trade-in. Since we have 10 large paper mills in our division it appeared that total over all requirements could be lumped together for better purchasing.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Each of the mills had their own preferences as to manufacturers. They were asked to list their first, second, third choices. Negotiations were conducted with all the manufacturers involved to obtain the best value-equipment cost and trade-in of old equipment.

WHAT WAS THE OUTCOME?

All mills were satisfied with equipment bought. Discounts were quadrupled. Trade-in values were better.

A - 2, B - 3, C - 3. (1, 3, 14, 16, 20, 24)

104. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A blast furnace needed to be relined, and steel mill personnel requested purchasing to obtain a high alumina relining material for the job.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The refractories buyer, taking advantage of the fact that the corporation has an extensive research laboratory in a nearby community, asked for research assistance in finding a relining material which would perform the job as well at lower cost. Armed with the laboratory evaluation of an acceptable substitute, the buyer was then able to convince the mill personnel involved to accept the lower cost lining material.

WHAT WAS THE OUTCOME?

The major advantage, of course, was the fact that the furnace was relined at a lower cost. An equally important advantage is the fact that the refractories buyer has gained considerable respect from the mill personnel and has contributed to purchasing's reputation for reliability.

A - 2, B - 2, C - 2. (1, 3, 15, 17, 18, 23, 26)

105. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The buyer received numerous complaints from our various plants about the quality of flashlights being purchased. Switching manufacturers did not seem to improve the situation.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer analyzed the situation and realizing that there was no standard satisfactory flashlight on the market, considered developing our own specifications for a flashlight which would be suitable for our use. He discussed the requirements with the various users

and then wrote detailed specifications for a flashlight. Various manufacturers were asked to bid to our specification.

WHAT WAS THE OUTCOME?

We purchased this new type flashlight for testing. The tests were successful and it has become a standard throughout the corporation. In addition to having a satisfactory piece of equipment, we are purchasing our flashlights at a lower cost.

A - 2, B - 3, C - 2. (1, 3, 4, 13, 15, 16, 17, 18, 21, 22, 26)

106. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The School for the Blind submitted a purchase requisition for several pieces of playground equipment.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Competitive bids were taken and it was determined that some alternates met the engineering specifications of the specified equipment. A meeting was held between the buyer and a standards engineer from the purchasing division, and the elementary school principal and the business administrator from the School for the Blind. It was determined that some of the alternates would, and some would not, meet the needs of the school.

WHAT WAS THE OUTCOME?

A rapport was established between the purchasing division and the School for the Blind. Not only were they satisfied with the purchase, but a mutual understanding of the regulations, procedures and problems of each was established which will be a benefit in the future.

A - X, B - X, C - X. (3, 4, 15, 23, 26)

107. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Engineering instructed buyer to purchase a specified water brake dynamometer at a designated price of $190,000 for rush shipment.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer convinced engineering that it would be worthwhile to conduct an extensive search of the world market for similar equipment within a 2 week period.

WHAT WAS THE OUTCOME?

A supplier in another country was located who offered a different but highly effective design. Concept which engineering approved and preferred at a savings of $75,000.

A - 2, B - 2, C - 1.

108. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A need for a new consumer package was most desirable to the marketing group. The concept was designed by the engineering department to fit all the requirements. There was only one possible source for the components. When they quoted on the components the price was such that sales could not afford the package but still really wanted it.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer, being aware of a large supplier who had recently dropped one product line and was anxious to get into another, approached this company with the new package concept. By working closely with the engineering and finance departments of both companies, a joint venture was worked out.

WHAT WAS THE OUTCOME?

The price of the new package was accepted by sales. The concept was greatly accepted by the consumers with at least a 2 year "jump" on competition.

A - 2, B - 2, C - 3. (3, 4, 9, 15, 21, 26, 27)

109. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer with considerable experience in purchasing heavy rotating equipment received a bill of material for a purchased two control air compressor for a nuclear power plant. As a change to the order, the engineers directed that the manufacturer design and furnish the equipment to meet a series of seismic

(earthquake) conditions. In pricing this extra, the buyer learned the supplier would need 1,000 hours of engineering at $20 an hour.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer asked the engineers for sufficient time to permit him to schedule a meeting with the manufacturer. The buyer, his company's designers, and the manufacturer's engineers met to discuss the manufacturer's standard aseismic design for compressors to be used under such conditions.

WHAT WAS THE OUTCOME?

After a complete review by all of the engineers involved and the buyer who was an engineer, it was agreed that the manufacturer's design would adequately meet stringent requirements of the buyer's company. During the same meeting the buyer asked for a discussion of a group of $1,764 worth of extras that the engineers had asked to have worked into the machines. These were also deleted as unnecessary upon pointed discussion between the engineers. A total savings of $21,764 resulted out of a purchase price of $13,880.

A - 2, B - 3, C - 1. (1, 3, 9, 14, 17, 18, 22, 26, 27)

110. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Top management announced that the division would be responsible for the manufacturing of a new product which involved the use of a large quantity of specially compounded rubber. The new product would be used on all vehicles and therefore would represent a major commitment for the rubber items. As a result, the buyer was called into conference and instructed to completely involve himself with all aspects of the program from prototype requirement through final production and launch time.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer made his initial contacts with the product design group and then established lines of communication with the following:

Scientific Lab. and Staff Scientist
Financial Control Department

Four major rubber suppliers
Plant personnel in
- Manufacturing engineering
- Quality control
- Material handling
- Traffic

All departments were now alerted to contact the buyer for all necessary information related to the rubber portion of the new item.

WHAT WAS THE OUTCOME?

As a result of the above efforts, the buyer became the principle coordinator for the rubber program, which to date has proceeded in an exceptional manner. The buyer has handled his assignment outstandingly.

A - 2, B - 3, C - 2. (3, 9, 15, 16, 17, 18, 21, 26)

111. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An annual contract requirement classified as a proprietary product was up for renewal.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer formed a committee which enlisted the aid of representatives from product engineering and cost/value analysis personnel to evaluate this product. Committee meetings were held and it was concluded that the cost of the product could reasonably be reduced through technological changes. The buyer coordinated committee discussions with the supplier at his manufacturing plant which introduced changes resulting in a substantial reduction in the cost of manufacture. The reduction in manufacturing cost was attributed to the committee's recommendation for our company to authorize additional tooling, revise the soldering requirements and techniques, and the introduction of semi-automated manufacturing methods to the supplier.

WHAT WAS THE OUTCOME?

Through teamwork and good communication the buyer was successful in developing an annual savings of approximately 54% for this requirement. In addition, these innovations not only reduced the

manufacturing costs of the proprietary item but were applied by the supplier to other product lines to his advantage.

A - 2, B - 3, C - 1. (1, 3, 9, 17, 22, 23, 25, 27)

112. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Graphite electrodes in various lengths and diameters are purchased in large quantities for use in electric steelmaking furnaces. When an electrode is cracked or broken, it must be replaced as configuration is highly important. Such broken electrodes have either been sold as scrap or pulverized and used as a recarburizer in furnaces. The discarded electrodes are allowed to accumulate at the steel plant until a large enough quantity is available to permit economical disposal.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

A member of purchasing was called to one of our steel mills to inspect a quantity of scrapped electrodes and arrange for sale to a scrap dealer. Noting that the damage was minor in some cases, he consulted with the electrode buyer, several manufacturers and steel mill personnel to see if some of the electrodes could be re-machined and re-socketed for use in furnaces calling for smaller electrodes.

WHAT WAS THE OUTCOME?

A reclamation program was developed whereby damaged electrodes from large furnaces are reworked by a manufacturer and made fit for use in smaller furnaces rather than being disposed of as scrap. The program saves the cost of purchasing new electrodes for several of our smaller furnaces and represents a decided improvement in our costs when compared with scrap value.

A - 2, B - 3, C - 2. (1, 9, 15, 17, 18, 20)

113. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We are developing a new design submersible pump, and this design dictates an aluminium tube casing. Our originators of the requisitions for the material were very vague in their descriptions, including tolerances, sizes, lengths, etc.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

We had our engineering, planning and supplier together and reviewed all the detail requirements. We then issued a raw material drawing incorporating all the vital factors, which incidentally, included a different length. We communicated.

WHAT WAS THE OUTCOME?

We were able to place this order in the best qualified supplier assuring us the proper material for the application at a saving of 4000 units X $.25 each = $1000 plus many fringe benefits.

A - X, B - X, C - X. (1, 9, 15, 17, 21, 22)

114. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Engineering required new electronic system to support new product design. Insisted to purchasing that only source was the ABC Company. "They already have a design." Requirement was for 7 prototypes, to be followed by multi-million dollar requirements over the next five years.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer refused to place order to start vendor. Insisted on written specifications, vendor survey, meeting with vendor personnel for technical discussion of specs, and the opportunity to search for competition.

WHAT WAS THE OUTCOME?

Competition was found. Specifications were firmed up. Proposals were solicited and reviewed. Buyer/seller meetings were held. Orders for prototypes (4 each) were placed with both the ABC Company and XYZ Company. ABC Company chose wrong logic design; 6 months after due date, they could not meet specs. XYZ Company did excellent job, met dates, met specs, and supplied a superior design having 40% less parts than that being designed by the ABC. XYZ essentially won the "horse race" hands down. Unit cost was $30,000 less than expected. Savings amounted to $6,000,000 over three years.

A - 2, B - 3, C - 1. (1, 4, 9, 15, 18, 21, 22, 26, 27)

115. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

After a year of manufacture, several purchased parts for an item of equipment were found to be out of tolerance called for on the drawings--even though they had been accepted by inspection during this time. Production was at a standstill.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer suggested calling in the suppliers involved, showing them how the items they were producing were used, and explaining the need for quality parts to print.

WHAT WAS THE OUTCOME?

It worked. Engineering, inspection and the suppliers ironed out differences. The supplier could see which dimensions were critical, and the manufacturing project went forward.

A - 2, B - 3, C - X. (1, 9, 15, 18, 27)

116. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Product X was the only product that could be used by the research group in a testing to certain evaluations. It was the key ingredient to the evaluation of a major product in a somewhat narrow product line of material manufactured by the company. It suddenly came in short supply and often the shipments from the only supplier known did not pass quality control.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer spent much time learning as much about the process as was possible for a layman in conversations with the research supervisors directly involved. New sources of supply were investigated but they all turned up with no result. The buyer then made a visit to the sole supplier with a couple of members of the research group.

WHAT WAS THE OUTCOME?

With the suppliers research team and the customer's research team, and with a good clear communication,

a new process was developed which assured a better quality, assured the customer of an increased volume in continuous supply, and the business arrangements which then could be discussed between the buyer and the seller, resulted in lower costs.

A - 3, B - 1, C - 3. (1, 3, 9, 10, 15, 17, 18, 21, 23, 26, 27)

117. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

One division purchased their cable requirements which were of a special construction on an "as required" basis resulting in a long lead time and high prices because the quantity was generally less than required by the manufacturers for an economical run.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The division was encouraged to consolidate their requirements so that the blanket order approach could be evaluated which the individual anticipated would result in a saving as well as quicker delivery.

WHAT WAS THE OUTCOME?

A rather substantial saving was realized with the added benefit that manufacturers agreed to maintain stocks of the various cables subject to the divisions release.

A - 2, B - 3, C - 2. (1, 3, 10, 16, 27)

118. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

On arrival in new situation, purchasing agent finds that buyer is processing requisitions for miscellaneous stationery items on an "as they arrive" basis. Result is that as many as three orders per day to the same vendor are written. Accounts payable approves of this because they do not have to calculate the costs for each department since a separate order is written for each department.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Purchasing agent pointed out to accounting and buyer the internal costs of processing each order and put

stationery ordering on a once a week basis. Instructed salesman to call on a regular schedule. Informed using departments that stationery would be ordered weekly. Pointed out to using departments that contrary to their belief, the organization would not collapse for the lack of immediate delivery of non-essential items.

WHAT WAS THE OUTCOME?

Accounting department grumbled at first, but after a few weeks quickly saw that they were "shuffling" considerably less paper.

Buyer does not like the new situation because it cuts into her telephone visiting with vendor. Purchasing agent is unable to discipline buyer because of a "tenure" situation.

A - 3, B - 3, C - 1. (1, 3, 9, 15, 16, 26, 27)

119. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Excessive time spent pricing lamps from three different vendor's price sheets. Reduce time spent on pricing because this commodity is ordered monthly, for each of our five divisions.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Listed are all lamps used by our company, priced them out for each vendor rather than use each vendors' price list. This list is to be updated whenever price changes occur.

WHAT WAS THE OUTCOME?

This resulted in minimum time spent on pricing lamps and also eliminated duplication, because of the five divisions requiring the same item. The time required to update this list is negligible compared with the previous method of pricing. This procedure has been applied to other commodities that are similar in nature.

A - X, B - X, C - X. (1, 3, 16)

120. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our purchases of metal containers approximates $500,000/yr. with 80% of the volume concentrated

in the Chicago area. While prices for Chicago plants have always been low, outlying plants located in other Midwest states making up the balance of 20% have paid considerably higher prices because of small volume and freight from Chicago area producing point. Business was spread over as many as six different suppliers and distributors.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

An inquiry was prepared covering our entire container requirements including those from the outlying plants. The idea was to use the Chicago area volume as a lever to gain favorable price concessions to the outlying branches and to award the entire "package" to the most competitive source.

WHAT WAS THE OUTCOME?

Combining our entire volume presented an attractive package and allowed producers to bid on our total requirements. Buyer not only reduced prices for Chicago locations below previous price levels but using this $/volume was able to gain the same delivered prices for the outlying plants. This resulted in a net savings of $70,000/yr. below previous costs.

A - 2, B - 2, C - 2. (1, 2, 4, 13, 16, 21)

121. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer received requisition requesting a new type of ink. This is a material item so buyer questioned using department before actually processing requisition. Buyer learned that this new ink would probably have continuing use and he would receive more repetition requisitions.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer contacted his three best sources of ink and requested a sample from each to be approved by the using department. He also asked for quotations based on an estimated requirement for one year. He got approval of all three supplier samples. He then selected his number one supplier.

WHAT WAS THE OUTCOME?

Buyer instead of placing order to cover first requisition, placed order for estimate for one year and released first shipment to cover first requisition. Buyer also arranged with second supplier to purchase a quantity from him as soon as buyer had additional requisitions. This way buyer had two sources with experience in manufacturing new item.

A - 2, B - 2, C - 1. (4, 7, 8, 10, 15, 16, 18, 21, 27)

122. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Excessive number of requisitions and purchase orders on many class "C" (low dollar) materials.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

A. Discovered excessive number of purchase orders for less than $50.

B. Instituted program of quarterly purchasing. Note: all materials were of nature that they were commonly used in all production.

WHAT WAS THE OUTCOME?

Great reduction in purchase orders issued which allowed greater time to be devoted to larger dollar materials which aided in reducing inventories, thus saving company dollars.

A - 2, B - 2, C - 1. (1, 7, 8, 10, 16)

123. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Purchasing many items of power plant maintenance equipment made it necessary each time to secure prices and delivery lead time from several suppliers.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Computer listing was made of similar items, and blanket orders for one year were established based on firm price or price to be negotiated.

WHAT WAS THE OUTCOME?

The use of blanket orders with prices reduced paperwork and quotation time and encouraged successful vendor to maintain reasonable stock as needed.

A - X, B - X, C - X. (1, 7, 14, 16, 21, 27)

124. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The purchasing department was being over-burdened with repetitive requisitions on operation, maintenance and repair items from over 125 using points in various states. Buyer would no sooner place an order on a given commodity for a given location when, before the order was even typed, another requisition for the same material for the same location would hit his desk.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

This situation cut down his efficiency tremendously by just trying to keep up with the paper work. He then tried to group some commodities and only buy once in a one to two week period. This helped cut down on the number of orders and his time but created other problems, especially non-deliveries when requested. He was a slave to mountains of paper work, inefficient buying practices and no time to evaluate his purchases. He then tried training a clerk to do this work in order to relieve him. This also proved inefficient and burdensome.

WHAT WAS THE OUTCOME?

After reviewing the situation carefully, he decided to make up a list of repetitive items based upon past experience. From this, bids were obtained on annual requirements for all locations which resulted in lower prices due to larger quantities. Orders were issued for the year and each shipping location requested against these orders as required. This procedure left him to do the actual buying job once a year and resulted in better prices, better deliveries, increased efficiency and improved morale.

A - 2, B - 3, C - 1. (1, 4, 6, 7, 8, 16, 26)

125. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

During a meeting on a related subject, it was discovered by a buyer that 3191 separate checks were issued for payment of materials and service to fifty-two (52) different suppliers during the year 1971.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Rather than complaining about the approach taken in the payment of obligation by the accounts payable department, the buyer immediately renegotiated the term of payment to each of these suppliers in such a manner that no additional cash was needed under the new terms.

WHAT WAS THE OUTCOME?

It is estimated that 1971 less checks will have to be issued by the company during 1972 to these suppliers, thus reducing the cost of issuance and record keeping in the accounting department.

A - 3, B - 3, C - 1. (1, 14, 16)

126. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our company division uses hundreds of business forms of which nearly 60% are multi-part, carbonized, or continuous types purchased from outside suppliers. The simpler one-part and padded forms are printed in house. Outside purchases have been repetitively made from 5 or 6 manufacturers, sometimes on a bid basis, and quite often from the last supplier at the same price according to time limitations and circumstances.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

One vendor was selected for trial of a system contracting basis. In this case the vendor is a business forms jobber with several sources of supply, a number specializing in each important area of forms design and manufacture. A trial with numerous suggestions from the vendor's experienced representative resulted in improvements, efficiencies, and cost reductions. As an example 9 different bills of lading were reduced to a total of 3 thereby effecting simplifications and economies.

WHAT WAS THE OUTCOME?

To assure continuing success of this program upon completion of the trial period, negotiations will be initiated with the supplier to implement a two year system contract for furnishing a major portion

of our forms requirements. Procedures will be undertaken to order these forms on a regular basis, either bi-monthly or quarterly thereby taking advantage of the cost reduction to be gained by volume discounts.

A - 3, B - 3, C - 2. (1, 4, 7, 8, 14, 16, 21, 27)

127. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An experienced purchasing manager changed companies. He found that one type of item regularly purchased by his new firm, with annual volume well into 6 figures, was ordered on a bid basis each time a requirement came up, resulting in less than 30% of the business going to any one supplier.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He carefully checked each current supplier, by visit, financial investigation and interview with its management to select one who would be flexible enough to negotiate but substantial enough to be reliable. He approached this candidate with a proposal based upon at least 80% of total annual volume in return for a favorable pricing structure.

WHAT WAS THE OUTCOME?

After some discussion on the same concept with two other qualified suppliers to affirm that the response from the first choice was in order, completed an agreement with that supplier resulting in annual cost reduction of between 5 and 10 percent, without losing the benefits of a multiple-source situation.

A - 2, B - 2, C - 1. (1, 4, 7, 9, 14, 16, 17, 21, 24, 27)

128. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A new buyer was hired and was given the task of going through the plant and observing any obvious areas that might be corrected to save the company money. He immediately recognized a situation of waste of time, material, labor, and money. The task being performed was a cleaning operation using a chlorinated solvent. Three, fifty-five gallon drums of material were delivered to the area each morning and one drum of slug was returned to the receiving area where it was placed near a still, where 80% of the material could

be recovered by distillation. Purchases of material amounted to 400,000 lbs. per year with a value of $56,000. Because of the low evaporation point of the material and the repugnant odor, fans were used at the top of the tanks and the fumes blown outside.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The market was surveyed, a new supplier selected, price reduced .05 per lb. Savings $20,000. Investigation was started to determine the feasibility of a bulk storage tank. Our area was located under the using department. The market price of the material dropped so that the cost of tank installation was amortized without changing the price of .09 per lb. Net savings $3,500. Further investigation revealed a degreasing machine that could be purchased with cooling coils that would minimize evaporation. Cost of equipment $6,000. Savings on material was 100,000 lbs. at .09 per lb. $9,000. Net savings $3,000.

WHAT WAS THE OUTCOME?

The recovery still was moved to an area just below the using department. A holding tank was installed to contain the slug that was removed by gravity feed. Processed through the still automatically and into another holding tank for quality check before pumping to the main tank.

Results--complete elimination of all material holding, completely closed systems for use and recovery.

A - 2, B - 3, C - 2. (1, 3, 7, 10, 13, 17, 18, 20, 21, 23, 26)

129. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Approximately 500 PO's through our department for film processing. PO's issued after fact because the production department said only they knew the sources that were qualified.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The production department was forced into submitting specs on their various film processing requirements and our buyer brought in potential vendors to determine what they could and could not do. After this,

those that appeared qualified were then allowed to quote on our requirements. Blanket orders were issued to 2 sources and the business was split 50-50.

WHAT WAS THE OUTCOME?

Savings of approximately $30,000 to $40,000 per year because of competitive buying. Better service from both sources--eliminated approximately 498 purchase orders in the purchasing department. Eliminated approximately 250 revisions, more prompt payment, greater respect from the production department.

A - 2, B - 2, C - 2. (1, 3, 4, 7, 8, 9, 15, 16, 21, 27)

130. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A detailed study was made of annual use by types of castings at all 15 company plants. A contract was made for the major items resulting in an annual saving of over $35,000.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Made a proper analysis, then negotiated a contract in a professional manner.

WHAT WAS THE OUTCOME?

See above.

A - 3, B - 3, C - 2. (1, 7, 14, 16, 17)

131. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer received approved procurement documents for a follow-on contract with the current supplier.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Rather than submit a purchase order to his management for approval, he had the initiative to seek competitive bids, based on his knowledge of the current market.

WHAT WAS THE OUTCOME?

The final negotiations with other suppliers, in addition to the current supplier, resulted in savings for his company of over $200,000.

A - 2, B - 2, C - 2. (1, 4, 13, 14, 15, 21, 26)

132. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer was authorized to negotiate annual contract for diesel fuel. This fuel serves a large fleet of over-the-road tractor-trailer units and is stored in large tanks on company property.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer researched entire diesel fuel program, rather than only buy fuel to fill tanks. He found that company was "locked in" to one supplier that owned tanks. This supplier was including a minimum fee for the tanks, but had historically charged a higher price for fuel due to his control of the tanks.

WHAT WAS THE OUTCOME?

Fuel tanks were replaced by company-owned tanks, which were paid for by savings from purchase of more competitively priced fuel in period of two years. Considerable savings have been afforded the company since that time.

A - 2, B - 1, C - 1. (1, 7, 13, 14, 16, 17, 21, 23, 24)

133. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A blanket order arrangement for steel coil had been given to the same steel warehouse on two consecutive years. The buyer was asked to determine if our company was economically wise to handle a 4,500 ton yearly requirement this way in 1972.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

1. Analyzed the market and found "steel coil" market "soft" for first quarter.
2. Obtained competitive bids on yearly quantities and first quarter quantities of steel coil.
3. Discussed our steel coil requirements and the steel market with representatives from six major steel warehouse sales agencies.

WHAT WAS THE OUTCOME?

A reduction in steel coil cost for the first quarter of 9% and probable cost reductions for the entire year due to competition and market condition.

A - 2, B - 3, C - 2. (1, 4, 7, 13, 16, 17, 21)

134. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Department personnel were being asked to regularly review financial standing and general business strength of present and new sources. Most did not know how, nor could we afford a mass formal training program.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

A buyer who had previous credit department experience organized a series of small group meetings to explain, in simple terms, the basics of D & B/Annual Reports. His preparation was excellent--approach realistic and stimulating.

WHAT WAS THE OUTCOME?

Buyers learned and are now more capable of performing evaluation and are more interested in program. The presenting buyer gained experience in group speaking.

A - 2, B - 2, C - 1. (3, 21, 24, 26)

135. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The purchasing department was responsible for importing supplies and equipment from foreign manufacturers and assuring that the customs brokers processed the necessary papers. The cost of a surety bond was charged by the broker to our company each time an item or a piece of equipment was imported.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer determined that our company could purchase a general term bond for a period of one year which would cover all imports.

WHAT WAS THE OUTCOME?

A savings of at least $1,000 per year was realized from establishing the general term bond in lieu of the individual surety bonds.

A - 2, B - 2, C - 1. (1, 16, 17, 19)

136. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Accurate measurement of supplier cost performance on controlled time and material contract for procurement of die models and tooling aids was not being achieved. Buyer was requested to take remedial action to correct this situation.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He established a definitive control procedure to provide for continuous measurement of supplier cost performance.

WHAT WAS THE OUTCOME?

The approach taken was successful. Accurate and meaningful reports for purchasing management are now being prepared on a regular basis.

A - 2, B - 1, C - X. (15, 16, 19, 24)

137. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Increased error conditions from our input to the computer. Since there has been no change in personnel the error conditions should be at a minimum.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

A record of errors was kept and reviewed, especially those that were repeated. It was felt that with the number of procedure changes occurring, not enough time was spent in reviewing these changes, especially the major changes. Regular schedule for reviewing changes with special emphasis on those that create error conditions.

WHAT WAS THE OUTCOME?

While this did not eliminate error conditions completely it did reduce the errors to a level that was acceptable.

A - X, B - X, C - X. (1, 16, 19)

138. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Purchasing representative received requisition for all pieces of 1 1/4" by 8" wide by 20' long (7500#) hot rolled steel.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Mill would not accept orders for less than 10,000#'s

(7500#)	11 pieces-warehouse	$819.00
(10,000#)	15 pieces-mill direct	$848.00

Representative increased quantity to 15 pieces and received last 4 for a total price of $29 by purchasing direct from the mill.

WHAT WAS THE OUTCOME?

Representative found another department in the plant which could use the extra 4 pieces. Consequently a little effort saving the $267.

4 pieces @ $74.40 ea. =	$296.60
	-29.00
	$267.00 savings

A - 2, B - 2, C - 3. (1, 10, 20, 21)

139. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A manufacturer of electrical tape would not sell his tape except through a distributor at a certain published price level. The tape was of exceptional quality, and was a respected "brand-name."

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer announced he would accept proposals for purchase of his company's annual tape requirements. He accepted the proposal of a competing supplier at a saving of several cents per roll. He continued to buy from the new source for about two years.

WHAT WAS THE OUTCOME?

Faced with the loss of a good volume of business, the high quality manufacturer offered his tape

"unbranded" at a substantial savings. Tests proved this tape to be exactly the same as the branded tape.

A - 2, B - 3, C - 1. (1, 4, 7, 18, 21, 23, 24)

140. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Plant manager decided to revamp the superintendent's offices. Company policy has always controlled colors and styles.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer suggested we permit line supervisors to pick out color scheme. Most of the men spend 10 to 12 hours a day in their offices.

a. Buyer brought in PPG paint chips
b. Buyer brought in suggested office colors
c. Buyer contacted local furniture refinisher
d. Buyer contacted formica desk top supplier

He met with each supervisor and worked out each color scheme on an individual basis.

WHAT WAS THE OUTCOME?

1. All supervisors now have individual office decor
2. Cost savings to company by reworking present furniture
3. Morale greatly affected by men feeling the company went out of their way to give them individual treatment
4. Buyer followed through an entire operation without need of project funds and minimum of red tape
5. Even though going against current company policy the buyer showed what could be done with some extra effort and originality.

A - 3, B - 3, C - 3. (1, 3, 6, 12, 15, 21, 23, 26)

141. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We were reviewing means of improving key punch output.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Review new advanced models of keypunch machines. He did a comprehensive study of all models, evaluating advantages and disadvantages.

WHAT WAS THE OUTCOME?

He selected the best machine, and has proven in practice to be highly successful.

A - 1, B - 1, C - 1. (17, 18, 21)

142. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Routine buying of industrial supplies for stock.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Good forecast of future sales was made based on past sales history and proper quantities were bought based on proper order points and order quantities.

WHAT WAS THE OUTCOME?

Inventory was reduced, freeing cash for investment in other products which could return a profit.

A - 1, B - 1, C - 2. (1, 7, 8, 10, 16)

143. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Received a requisition for a typewriter, normally processed in a routine manner and ordered without much price comparison.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Rather than place the order as per custom, individual made a telephone call survey of price and availability from several vendors.

WHAT WAS THE OUTCOME?

$100 was saved on this purchase, for the exact same model, type, condition and age typewriter as originally requisitioned.

A - 2, B - 3, C - 2. (1, 4, 13, 16, 21)

144. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Was interested in cost of maintenance contracts on office machines such as typewriters, calculators, etc.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

A study was made showing actual cost per machine for having a maintenance contract.

WHAT WAS THE OUTCOME?

By taking the machines off of contract and making individual calls for repairs whenever needed, approximately nine thousand dollars a year was saved and the machines functioned as well as before.

A - 2, B - 3, C - 2. (1, 7, 16, 17, 18)

145. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

All requisitions were hand written. Even those for materials ordered on a repetitive basis.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Purchasing agent instituted traveling requisition cards on which were spelled out the specifications and five possible sources of supply. As the cards were used, the buyer had immediately in front of him all of the historical information necessary for him to select a vendor and watch price trends.

WHAT WAS THE OUTCOME?

Tremendous saving of time.

A - X, B - X, C - X. (1, 13, 16, 19, 21)

146. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Volume purchases of starch led to a review of cost factors influencing price, and centered on impact of corn prices on starch costs.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The purchasing agent became knowledgeable of corn markets--futures trading, cash markets, economic and weather factors--through consultation with brokers. He then recommended a futures trading arrangement on a volume of corn related to our corm starch needs.

WHAT WAS THE OUTCOME?

Futures trading of corn, to decrease and control the major cost factor in manufacturing of starch for our use--in effect we purchased a service (the starch processing) rather than a product.

A - 2, B - 1, C - 1. (1, 7, 13, 16, 17, 23, 26)

147. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer through detailed analysis and outstanding communications with suppliers concluded a commodity had reached a low point in a price cycle. He prepared a purchasing recommendation suggesting two year coverage. It was highly unordinary to suggest coverage of this kind in this particular commodity for such an extended period.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He presented recommendations well prepared--documenting his conclusions and writing his analysis in a persuasive enough manner that it was accepted.

WHAT WAS THE OUTCOME?

Shortly thereafter the recommendation was accepted and the commodity booked for 2 years requirements then made a sharp upturn. Within 9 months the price had tripled.

A - 1, B - 1, C - 1. (1, 7, 8, 13, 15, 16, 17, 26)

148. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Normal practice was to buy metal on a published price basis. Rumors were the price of metal was going to increase.

The buyer's boss was out of the country and could not be reached.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He researched the rumors and contacted about 8 suppliers whereby indications showed the market was much stronger than weak. On this information he ordered about 1,500 tons of metal in advance of regular schedule.

WHAT WAS THE OUTCOME?

Three days after the 1,500 tons of metal was ordered the price increased $20/ton. Savings were 1,500 @ $20 = $30,000.

A - 2, B - 2, C - 1. (1, 7, 8, 13, 15, 16, 26)

149. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The company was losing sales due to the long time in making quotations on customers request. No one person would take the responsibility to coordinate the efforts in order to provide sales with the information they needed rapidly.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The expeditor in the purchasing department set up a follow-up system to keep the prints and other information moving and out of plant to get component and material cost quickly from the vendor. The system was worked a few minutes each day to keep it up to date.

WHAT WAS THE OUTCOME?

The sales department was able to quote very rapidly on new business and improved sales by 25% over a one year period. A secondary outcome was better cooperation between the various departments of the plant. Also less blaming of others for slow quotations as existed before.

A - 1, B - 1, C - 2. (1, 3, 6, 15, 16, 19, 26)

150. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our "profit improvement program" was not operating satisfactorily at one of our largest manufacturing operations.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The purchasing manager assigned code numbers to each buyer, established agreed upon savings objectives to each based on their total procurement dollars and checked their buying progress by "procurement analysis proposals," submitted each month.

WHAT WAS THE OUTCOME?

This procedure generated competition among the buyers--and the monthly review with each one stimulated additional effort and resulted in that particular operation exceeding its total "profit improvement program" objective.

A - 2, B - 3, C - 1. (1, 3, 6, 15, 19)

151. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

It was felt that all "price breaks" were not being up-dated and used to the extent desirable.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He designed a "buy card" on which could be posted competitive price breaks as requested periodically. These cards were kept in his desk--and as quotes were requested periodically (not less than twice a year) they were subsequently noted on all covering traveling requisitions forwarded to him.

WHAT WAS THE OUTCOME?

This practice satisfactorily insured that M. V. continued requestions and purchasing procured items at the most economical price breaks quoted--(a "price break" formula is used to definitely and consistently determine the most appropriate "price break" to use).

A - 2, B - 3, C - 1. (1, 4, 16, 19)

152. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Upon joining the firm, the new purchasing agent was suspicious of the excessive expenses in the supply area. It took nearly a year of checking to locate the real problem.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Set up an effective receiving system to check receivables against orders matching packing slips against invoices and constantly checked the market for competitive bids on large $ items. . . . The pressure brought to bear on the crooked vendor forced

him to tip his hand through a series of wining and dining sessions ending up with a direct offer similar to the previous purchaser (deceased).

The new buyer kept close contact with his superior advising him of each development until the trap was sprung. The vendor confessed all and made partial restitution prior to his untimely death due to cancer.

WHAT WAS THE OUTCOME?

The company is now aware of the pitfalls of sloppy habits and is saving approximately $100,000 yearly on purchases from this source alone. Constant review of all purchases and leases has resulted in further economies.

A - 2, B - 3, C - 2. (1, 4, 5, 6, 11, 13, 15, 16, 19, 24, 26)

153. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Joint government purchasing activities enjoyed vocal support from many groups.

A strong lead was required to stimulate any meaningful action.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Thomas Blanco, purchasing agent of the state of Illinois, studied cooperative efforts of other governmental activities and developed a joint governmental purchasing program enabling local governments to benefit from this program.

WHAT WAS THE OUTCOME?

House Bill 2116 makes it possible for governmental units to purchase jointly and the purchasing agent of the state of Illinois provides the services of a central agency to conduct this activity which will benefit all interested local governmental units in the state.

A - 3, B - 3, C - 1. (1, 3, 15, 16, 26)

154. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer was continually having a "stock out" of cleaning solvent which was stored in underground tank. Since

it was used by two operating departments on somewhat equal basis, it was expensed 50/50 at time of purchase and no perpetual inventory records kept. Each department accused other of using more than their half.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer had lock put on pump so it was necessary for users to obtain key from him each time they needed some. He kept temporary perpetual record at his desk for temporary period which showed all purchases and usage. Within three months, he found that combined usage of both departments was only 25% of that purchased thereby proving that tank was leaking for some time and that usage ratio was 2:1.

WHAT WAS THE OUTCOME?

He negotiated a free above-ground tank with solvent supplier, reduced annual usage from 2,000 gal. to 500 gal., transferred solvent to a controlled stock item and had two operating departments start requisitioning it from stores so they would get charged for exact amount used.

A - 2, B - 3, C - 3. (1, 3, 10, 14, 15, 16, 17, 19, 26)

155. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Plant investment in mechanical stores inventory was over budget. A buyer was assigned to see how the inventory could be reduced.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer and the plant engineer jointly reviewed the stock list, developed standards based on purchase cost, availability, and engineering specifications.

WHAT WAS THE OUTCOME?

The standardization program was accepted by engineering and inventory investment was reduced.

A - 2, B - 1, C - 1. (1, 3, 10, 15, 19, 22, 26)

156. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

55 gallon drums of a special solvent were used in considerable volume. Problems occurred in space requirements and drum handling. Volume use also led to cost study.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Arranged for a group meeting consisting of solvent manufacturer's representatives, operators from using department, plant engineers, and the buyer.

WHAT WAS THE OUTCOME?

Special storage tank installed alongside the consuming point with arrangement for bulk tank delivery of the solvent. Pumps and piping direct to point of consumption were installed. Results:

1. Elimination of drum handling problems and elimination of space problems.
2. Contract with vendor for delivery on a "keep full" basis.
3. Annual cost reduction of 33%, amounting to approximately $31,000.

A - 2, B - 2, C - 2. (1, 2, 9, 10, 16, 17, 23)

157. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A certain electrical component's usage by the factory was extremely erratic. Every so often, the factory would use all the stock of that item, plus safety stock. Successive inventory increases reduced the frequency of the occurrence, but not the severity, when the stock-out occurred. Lead-time was over three months.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

He arranged with a local distributor, to carry a minimum stock of three months average usage of that item, guaranteeing that he would order this amount once a year, at the least, on condition that the distributor would re-order his stock, to bring it back to the three-months level.

WHAT WAS THE OUTCOME?

Now, when the inventory was suddenly used up (non-forecasted repairs and replacements were a amjor cause), there was enough stock in the hands of the distributor to tide the factory over, until arrival of materials from the manufacturer. Since the distributor also automatically re-ordered the used portion of the inventory, he was ready to step in again, as soon as required.

P.S. The distributor's mark-up was provided by the component manufacturer by way of a special discount. We received this service, at no extra cost to us.

A - 2, B - 3, C - 2. (1, 7, 8, 9, 10, 14, 16, 21, 27)

158. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The companies purchases of steel were large in total coming, however, in small frequent buys primarily from warehouse services centers. Inventory costs/ space restrictions precluded large/less frequent buys. Costs were high on individual buys and number of sources has increased greatly.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer performed a very complete and time consuming study of buy patterns/costs/etc. and applied a contract procurement program concept. He sold the program concept to several warehouses and obtained agreements for the ensuing year.

WHAT WAS THE OUTCOME?

A cost savings of 20% ($250,000) occurred, inventories went down, freight costs went down, availability improved. Supplier base was cut from 24 to 5 with the resulting economies of contact.

A - 1, B - 1, C - 1. (1, 2, 4, 7, 8, 10, 14, 16, 17, 21, 26)

159. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Steel for station requirements was purchased for stock to cover our estimated requirements. Shipment was made to one central location to save transportation cost. Steel as required for various stations was then hauled by our own truck or contractor equipment.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

We reviewed our procedures and decided it was necessary to have vendor deliver steel to station site in order to save hauling and handling charges.

An agreement was reached with suppliers that we would pay an additional 10% for steel if load was less than 20,000 lbs.

WHAT WAS THE OUTCOME?

Results have been that vendor in most instances deliver direct to station site at no additional freight rates. Our costs of handling have been reduced one half. Design sections have furnished prints to meet lead time and we consequently have reduced stock to a minimum.

A - X, B - X, C - X. (1, 2, 10, 14, 15, 16)

160. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Packaging material was procured from two major sources and one minor source each requiring different deliveries and minimum order quantities.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Consolidated to one source with one set of minimum order quantities and pre-arranged deliveries, by-weekly deliveries.

WHAT WAS THE OUTCOME?

Less inventory--less shortages. Better vendor relations and cost savings.

A - X, B - X, C - X. (1, 2, 7, 10, 16, 24, 28)

161. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Austerity measures were implemented and a directive was issued to reduce surplus stock for state hospital inventories.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Monthly inventory reports from each state hospital were reviewed and as requisitions were received part or all of the quantities were filled from surpluses at other hospitals.

WHAT WAS THE OUTCOME?

From this action $2,500 worth of surplus material was transferred within the department of mental health rather than purchasing this material from outside sources.

A - X, B - X, C - X. (1, 10, 15, 16, 20)

162. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Inventories were growing beyond the desired level and freight charges on incoming were growing at the same time. The managing buyer charged with reducing both while maintaining line support knew that getting smaller shipments more often would increase freight costs, larger shipment made less often increased inventory cost.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Calling his expediters together he asked each of them to establish a goal for himself where he could maintain proper support and still reduce inventory; then instructed them to make shipments to the best advantage possible commensurate with those goals. The 6 men, knowing their own product categories better than any one man could, reduced inventories to acceptable levels in two to three months time while reducing overall freight charges at the same time.

WHAT WAS THE OUTCOME?

See above.

A - 2, B - 2, C - 2. (1, 2, 3, 6, 10, 15, 16, 26)

163. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The purchasing agent for this company purchased ladle brick in full boxcar loads to keep an inventory on hand for repairing ladles each week. Problems resulted as a result that not enough lead time was given to order a car or else the car was late being delivered due to the railroad losing.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Buyer investigated and found that it took three men a full day and a half to unload a boxcar when it did arrive, at a cost of over $200 labor charge. Buyer changed the company's method of buying by ordering brick in 40,000 lb. quantity, loaded on pallets on a flat bed truck for side unloading by a forklift truck.

WHAT WAS THE OUTCOME?

The outcome was paying a slightly higher price for the brick, but the company received the brick quicker, had less money tied up in inventory, took one hour to unload truck and store brick, all at a substantial savings.

A - 2, B - 3, C - 2. (1, 2, 10, 16, 17)

164. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We use large quantities of gasoline pump hose and we found our inventory tied up in space and dollars, in our opinion, to be out of line.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

We were able to get our people to standardize on types, sizes, etc. We negotiated with our principle suppliers, based on price, quality and delivery for the best overall deal.

WHAT WAS THE OUTCOME?

We now have arranged at competitive prices and acceptable quality, a deal whereby the supplier has consigned a stock of hose in our plant. We issue blanket orders once a year with periodic releases. This has released average inventory lockup of $50,000 for other purposes, saving $50,000 X 8% = $4,000 year.

A - X, B - X, C - X. (1, 3, 7, 10, 13, 14, 16, 18, 22, 26, 27)

165. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our airline had a limited quantity need for a special type of extrusion. This material was only obtainable in a large quantity from the mill.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer contacted other airlines who operated the same type of equipment. After establishing their needs, a purchase order was placed with the mill by our airline. After receiving the material, the other airlines purchased their portion from us.

WHAT WAS THE OUTCOME?

All parties concerned obtained an amount that was suitable to their needs at a cost predicted on the larger purchase.

A - 2, B - 3, C - 2. (1, 7, 8, 9, 10, 16, 17, 20, 21, 26)

166. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer received telephone call at 3:00 AM (at home). Some supplies were required by 8:00 AM at plant or manufacturing would be completely shut down.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Since this particular AM happened to have the heaviest snow fall of the year, and since no one would actually do anything at that time of the morning, the buyer delayed until 5:00 AM before calling the vendor's representative.

WHAT WAS THE OUTCOME?

The salesman was kind enough to start to work two hours early because of the snow fall, and expediency required, so that he could unlock the vendor's plant for our trucks to pick up the supplies.

The supplies arrived at 7:30 AM preventing plant shut-down.

A - 2, B - 2, C - 1. (1, 6, 9, 16, 26, 27)

167. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

It has been our policy to make savings on purchased items in the range of $100,000 per year. This is approximately the budget cost of the purchasing department.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

We have co-ordinated with engineering and manufacturing departments to make savings, many of which continue in effect over a long period of years in the buying of metals, parts, supplies and services--and especially in the disposal of scrap by conversion or by sale.

WHAT WAS THE OUTCOME?

We have met our goals. An operations research department has been in operation for several years. Management agrees that a dollar saved by reduction of cost is the equivalent of $20 of sales. A savings of $100,000 annually is equivalent to $2,000,000 in sales.

A - 3, B - 3, C - 1. (1, 3, 17, 20, 26)

168. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Production schedule revised hurriedly on Friday. Inventory control forgot to advise purchasing material due in two weeks. Later was now needed Monday following. Needed material by ten AM Monday according to best estimates to prevent machine being shut down.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Purchasing agent telephoned supplier 9AM Monday--500 miles away. Material (special custom product) happened to be ready to ship this day. Requested salesman take it to airport for 10 AM flight. Called airlines to alert them of late freight arrival. Alerted traffic department to be prepared to pick up in 2-5 hours.

WHAT WAS THE OUTCOME?

Freight was received and was in machine by 1 PM same day five minutes before it would have run out (original estimate was conservative). Moral of story: think positive, take action; follow up at all points of transfer. With proper approach (and some dumb luck) people will come through for you.

A - 2, B - 3, C - 1. (1, 2, 3, 6, 9, 16, 26, 27)

169. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Seat arm rests were originally covered with a naughyde material. These arm rests were subject to wear and tear and discoloration by constant use from passengers.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Applied value analysis. Changed to stainless steel arm rest tip.

WHAT WAS THE OUTCOME?

Reduced deterioration and replacement 90%.

A - X, B - X, C - X. (1, 17, 23)

170. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Company is preparing to market new product requiring approximately 60 components. Engineering has been ordering components in sample product stage from approximately 30 vendors.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Purchasing requested and received a parts list from engineering. Consolidate 30 vendors to 4 vendors. Reduced cost and also delivery time.

WHAT WAS THE OUTCOME?

Considerable reduction in price, components on hand to manufacture. Expediting parts from 4 sources rather than 30 sources.

A - 2, B - 2, C - 2. (1, 2, 3, 4, 6, 15, 16, 21)

171. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Paper industry trade practice constituting good delivery in substance weight of paper is ± 5%. In other words if you are ordering substance 50 lb. offset paper you can receive from the paper mill paper weighing 47.5 or 52.5 lbs. On an annual (basis) the weight of paper averaged 50.5 lbs.

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

Because of large tonnage on one grade of paper, and some hard nosed negotiation sessions the paper mill agreed to live within new specs, minus 2 1/2% or +0%. Bear in mind that when paper is purchased in rolls you pay by the pound but sell the roll paper by lineal yardage.

WHAT WAS THE OUTCOME?

For each .1 of a pound under 50.5 lbs, the company saved $30,000. After the new specs went into effect the average substance weight dropped to 49.4 lbs, or 11 X $30,000 = $330,000 annual savings.

A - 2, B - 2, C - 1. (1, 14, 22, 24, 27)

172. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A few years ago, our company purchased nothing but black company automobiles. Then a small parcel of land was acquired next to our office building for parking purposes. Soon after, our customers, entering the building to complain about an increase in their bills, noticed and inquired "who all those nice, shiny black cars belonged to? If our company could afford such new cars for our executives, their rates should be reduced."

WHAT DID THE PERSON DO THAT MADE THIS AN EFFECTIVE INCIDENT?

The buyer recognized this problem and had been trying to get the company to purchase white cars for safety and comfort reasons. He arranged tests to register the cumulative heat values of the car's interior, white versus black. The results were impressive. He then approached management in an effort to change from black to white.

WHAT WAS THE OUTCOME?

Although we are not buying white cars, his meeting resulted in a choice of six standard colors ranging from dark, intermediate, and light colors, both solid and metallic.

A - 2, B - 2, C - 1. (15, 17, 18, 22, 26)

APPENDIX C

INEFFECTIVE INCIDENTS

ACTIVITIES OF EFFECTIVE AND INEFFECTIVE BUYERS

1. Profit Potential. The buyer's activities are reported as producing savings or causing a change in costs. Requires judgment on how to meet company cost goals.

2. Transportation. The buyer reviews transportation modes, services, possible improvements in delivery time or cost.

3. Departmental Coordination. The buyer develops mutually helpful relations with other units in the firm as well as in his purchasing group. Communicates, provides reports, literature, educates. Provides liaison in the firm. Arranges meetings.

4. Competitive Bids. Uses the bidding process. Asks for quotes.

5. Ethics. The buyer is honest and truthful in his operations. Avoids situations which could reflect unfavorably on him or his firm.

6. Follow-Up. The buyer knows the status of purchase orders and takes corrective action when necessary. Follows through to see that procedures are completed satisfactorily.

7. Forecasting. The buyer projects trends for supply, demand, prices.

8. Forward Buying. The buyer purchases more material than is needed for current requirements, but not beyond actual foreseeable needs. Determines when to buy based on changes in the situation.

9. Inter-Firm Coordination. Arranges meetings between himself, members of his firm, vendors, or customers to improve cooperation. Communicates, advises of problems.

10. Inventory Control. The buyer checks stock balances, usage rates, seeks to provide or maintain a sufficient supply of material. Plans to increase or decrease inventory levels.

11. Legal Considerations. The buyer plans his activities to avoid problems in contractual areas.

12. Make or Buy. The buyer is involved in a make or buy situation.

13. Market Analysis. The buyer studies the market for information on previous or current supply, demand, or price conditions.

14. Negotiation. The buyer discusses the various factors of a purchase with a supplier to obtain a better value. Understanding of terms and conditions is sought. Mutual benefits are anticipated.

15. Organizational Decisions. The buyer makes decisions involving the formal organizational structure. He acts on some question related to the chain-of-command or the flow of authority and responsibility. Contacts another unit for advice, assistance or clarification. He may challenge requisitions, releases or recommendations of others. Reacts to orders from superiors.

16. Procedures. The buyer usually follows established procedures. Any changes should bring improvement. May decide to use blanket orders. May omit or change the sequence of a step in the regular procedure. Studies new systems, procedures.

17. Product Research. The buyer increases his knowledge of the items he buys. Studies reference sources, questions salesmen, suppliers, users of similar products.

18. Quality Assurance. The buyer investigates to achieve desired quality. He checks samples, has tests run, compares items, discusses any adjustments with vendor.

19. Records. The buyer is conscious of the importance of maintaining complete, correct records of transactions and having them available for reference.

20. Scrap and Surplus Disposal. The buyer arranges the disposition of excess or scrap material.

21. Sourcing. The buyer searches for suppliers, checks old and new sources. Investigates and evaluates capabilities. May need to develop and encourage a new source. Stimulates competition.

22. Specifications. The buyer reviews specifications and may suggest a change in a dimension, material, or design. He is concerned with standards.

23. Substitutions. The buyer recommends a substitute product or an alternative manufacturing process to his firm. Proposes a solution to a problem.

24. Supplier Evaluation. The buyer reviews the capability and performance of existing vendors. Visits supplier facilities.

25. Target Pricing. The buyer works to develop a proper price by analyzing or estimating a supplier's material, labor, and overhead costs.

26. Personal Skills. The buyer is able to convince others in the firm to accept his proposals. Defends his viewpoints. Spends extra effort, personal time, to solve problems. Weakness in these skills is indicated by a lack of initiative, by delays in taking actions, and a lack of insight in dealing with others.

27. Vendor Assistance. The buyer seeks the vendor's expertise in solving a problem. He asks for suggestions. He may ask the vendor to try a new method or alternative. May also provide assistance to a vendor by buying for him, etc.

28. Vendor Relations. The buyer works to develop friendly, courteous, continuing relations with his suppliers. Intends to create mutually satisfactory inter-actions and to avoid ill-will.

Appendix C contains all the ineffective critical incidents used in this study. The respondents had been asked to supply data on the buyer's age, experience, and education. This data has been coded and is supplied with each incident in the following manner:

Age = A	Experience = B	Education = C
Under 30 = 1	Under 5 = 1	College graduate = 1
30 - 50 = 2	5 - 10 = 2	Some college = 2
Over 50 = 3	Over 10 = 3	High school = 3

Some respondents did not supply data on age, experience, or education. In such a case the A, B, or C is followed by an "x."

1. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The plant ran short of the most important raw material because the buyer did not properly schedule shipment release from vendor, and monitor inventory, and co-ordinate with production control as he should have as an experienced buyer.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

This particular buyer had not been at the plant more than three months but he, being experienced, was there long enough to know which materials were critical and should have been suspicious that no recent releases had been requested since material was used in all plant production.

WHAT WAS THE OUTCOME?

It was necessary to charter two airplanes to bring in enough material until truck shipment could arrive. Premium transportation costs in excess of $2,000.

A - 2, B - 2, C - 1. (1, 3, 9, 10, 16, 26)[1]

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[1]The numbers in parentheses refer to the buyer activities associated with each incident. These activities are discussed in Chapter V and are listed at the beginning of this appendix.

2. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Routine buying of industrial supplies for stock.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Poor forecast of future sales was made.

WHAT WAS THE OUTCOME?

Large overstock causing inventory to rise thus freezing cash which could have been used to turn a profit in another area.

A - 1, B - 1, C - 3. (1, 7)

3. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Constant shortages, which caused production interruption and the need for vendor to rush his work which caused sporadic quality problems.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Expediting after shortage occurred rather than before, substandard parts were used due to critical need. Communications were infrequent and unclear.

WHAT WAS THE OUTCOME?

Lost production, missed shipments, vendor relations deteriorated, both customer and vendor profit potential was lowered.

A - X, B - X, C - X. (1, 6, 9, 10, 18, 28)

4. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our buyer ordered some critical parts for a large gas compressor. Upon ordering these parts he was told by the vendor that delivery of parts would take four weeks. Buyer passed this information on to the foreman who requisitioned the parts, and job plans were made accordingly.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The compressor parts were not received at the end of four weeks. When buyer was notified about this he

called the vendor and learned that an extra two weeks was required for delivery. Buyer did not notify foreman about the additional delay.

WHAT WAS THE OUTCOME?

By not having the compressor parts at the expected time the compressor could not be repaired by the foreman and his men who were standing by to do the work. This caused waste of manpower, equipment, and driving time.

A - 1, B - 2, C - 1. (1, 6, 9, 15, 16)

5. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An item which we had not bought in great quantity before was needed in substantial quantity in a new application.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer inquired as to anticipated usage through discussion with a lower level person who said there was no estimate. The buyer proceeded, without further effort, to get bids for requirements "as needed" for a contract period of one year, giving no total usage and no specified minimum per order.

WHAT WAS THE OUTCOME?

1. With no volume assurance the bid prices received were unacceptably high.
2. There was an anticipated industry wide price increase due in about 6 or 8 months which caused further price padding by the bidders for protection.

A - 1, B - 1, C - 3. (1, 7, 15, 26)

6. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A product being used by one of our main plants was mainly supplied by one supplier because #2 supplier was located a great distance away from the plant and transportation costs were high. #1 supplier was having difficulty in maintaining supplies due to production problem. The buyer's boss became angry and told the buyer to order a three months supply from supplier #2.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer ordered a three months supply from supplier #2 at a substantial increase in cost. In the mean time supplier #1 resolved his production problem and shipped the outstanding orders.

WHAT WAS THE OUTCOME?

The inventory increased from one month to five months before it was observed by the inventory accounts. The added cost for the product received from #2 supplier over #1 supplier was $27,000. This with the added inventory costs amounted to a total cost to the company of $35,000.

A - 2, B - 2, C - 1. (1, 2, 6, 8, 9, 10, 15, 24, 26)

7. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An agency submitted a requisition for a high volume folding and mailing machine. They had specified a certain model of a well known brand as a standard of quality and had stated an estimated cost of approximately $4,000.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Our buyer advertised for bids and received several responses. The lowest qualified bid was on the specified brand in the amount of approximately $3,600.

WHAT WAS THE OUTCOME?

The buyer evidently was not as familiar as he should have been with his responsibilities, as he awarded the bid to another well known brand at a price in excess of $4,000. To compound the infraction, he awarded the bid on a time payment contract, which was not mentioned in the requisition, resulting in a total cost in excess of $7,000.

A - 2, B - 1, C - 2. (1, 16, 17, 21, 23)

8. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A new packaging design was received from engineering and the buyer was asked to get quotes. He was also asked to review quotes on existing packaging, with an eye toward reducing prices with existing vendors or getting better prices from new vendors.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer called in the existing vendor and one or two new vendors. The new vendors called did not think prices could be improved, nor did the vendors currently in use. Quotes were obtained on the new packaging design.

WHAT WAS THE OUTCOME?

Prices on the existing packaging remained the same, and the price was obtained on the new packaging design.

A - 2, B - 2, C - 1. (4, 13, 14, 21, 24, 25, 26, 27)

9. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A specialty bearing presently being purchased as a sole source item which has resulted in high cost and poor deliveries.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Apparent satisfaction with present vendor hence, no exploration for alternate vendors and no engineering assistance requested.

WHAT WAS THE OUTCOME?

We are still paying high prices and experiencing poor deliveries, which result in delinquent shipments and poor customer relations.

A - X, B - X, C - X. (1, 6, 21, 24, 26, 27)

10. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer advised to arrange for another supplier of product at competitive prices.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer arranged for supplier to furnish product however buyer did not check all aspects of prices and paid more money.

WHAT WAS THE OUTCOME?

Loss of money to company.

A - 1, B - 1, C - 3. (1, 4, 13, 14, 17, 21, 25)

11. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We had been buying a certain item from a particular supplier for three years, and the buyer placed an order with the same supplier for the fourth year.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer assumed that, since the incumbent supplier's product had been very satisfactory, there was no point in buying from a different source.

WHAT WAS THE OUTCOME?

The buyer later discovered that another supplier could have supplied an equivalent item for significantly less money.

A - X, B - X, C - X. (1, 13, 21, 24, 25)

12. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A life insurance company was considering going from a paper premium notice to a "punched card" system.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer simply called in a supplier's representative, explained the need for certain print positions on the card form and asked the supplier to have the form designed.

WHAT WAS THE OUTCOME?

The supplier's representative sent the information he was provided to his "product-design department" and back came a beautifully-designed form, three colors on front, two colors on back. The design was okayed for production; however, neither the buyer nor the using department had the foresight to check on the price. Needless to say the cost was outrageous!

A - 2, B - 3, C - 1. (1, 4, 9, 13, 14, 16, 17, 25, 26)

13. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Past three year history of a high-dollar inventory item dictated new purchase of same.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Purchase order was placed with vendor with specified short term delivery. Incident was rendered ineffective because of previous knowledge of future obsolescence of this item.

WHAT WAS THE OUTCOME?

Order was received which caused a high-dollar over-stock (excess) condition which could not be returned to the vendor.

A - 2, B - 2, C - 2. (1, 10, 16, 26)

14. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A field receiving clerk received some ignition system parts and questioned the price on the purchase order. It appeared to him the price was far too high for the part received. He contacted the buyer and questioned the price.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer checked his price list and found the same price as it appeared on the purchase order. Instead of dropping the matter and assuming the price to be correct, the buyer contacted the distributor who in turn, checked with the manufacturer. It was then decided the manufacturer's price list was incorrect due to a typographical error. The $20 pricing mistake resulted in a credit of $2,700 which pleased the buyer and made him thankful that he did not take a negative attitude and drop the matter.

WHAT WAS THE OUTCOME?

The buyer reported this to the station manager in an attempt to give the receiving clerk credit and praise for his alertness. Instead, the station manager became very upset and reprimanded the clerk for questioning the purchase order price and advised him to never do it again.

15. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer negotiated rental of baler for trial purposes at one of our plants. When invoicing, vendor erroneously billed us for the baler's total cost, $2,000.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer paid the invoice in error.

WHAT WAS THE OUTCOME?

The baler was unsatisfactory for our application. It took two years to negotiate its return and the refund of our money.

A - 1, B - 1, C - 1. (1, 16, 17)

16. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A commodity was reaching an historical low point and it appeared a reasonably sure time to take extended coverage. Authority was given to cover one years requirement.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

After given authority the buyer, thinking the market may go lower held off on purchases. The market did not go down, but unfortunately went higher than the authority given to exercise the purchase.

WHAT WAS THE OUTCOME?

Coverage was made but at a price higher then originally authorized requiring a detailed explanation of the circumstances and economic policy.

A - 3, B - 2, C - 3. (1, 8, 13, 15, 16, 26)

17. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Plant investment in mechanical stores inventory was over budget. A buyer was assigned to see how the inventory could be reduced.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer established standards based on purchase price alone without consulting plant engineering.

WHAT WAS THE OUTCOME?

Engineering refused to accept arbitrary standards and the program was dropped. Relationship between purchasing and engineering was damaged.

A - 2, B - 1, C - 1. (3, 15, 22, 26)

18. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An experienced buyer with one female assistant handled annual procurement of approximately $1,500,000. Review indicated could not justify two full time employees for relatively small volume purchases. Efforts to improve productivity disclosed examples of ineffective buying activities.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

In many instances purchases of $5.00 and less were resulting in several phone calls seeking quotations in effort to find $.10 and $.20 savings. When such insignificant savings were found, original supplier was called and inference made that he was "cheating" on prices.

WHAT WAS THE OUTCOME?

Not only was time wasted that could have been better spent on more important items but supplier relationship suffered badly. Certainly an ineffective purchasing performance.

A - 3, B - 3, C - 1. (1, 4, 24, 26, 28)

19. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

In previous years my department was responsible for negotiating a major contract on a world commodity. We thought that by turning this project over to a much larger user we would obtain a better contract price than in previous years.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The project became so large and involved that our contracts terminated without the benefit of either extension of renewal.

WHAT WAS THE OUTCOME?

Result was an increased cost to this department of some $1,200.

A - 2, B - 2, C - 1. (1, 3, 6, 14, 15, 16)

20. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer was persuaded by a supplier that he could save money if the supplier could install, at customer's expense, a bulk handling system for a crystalline food product.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer, looking only at the reduced cost of the product less the cost of the system, reacted prematurely and ordered an extensive engineering survey to substantiate the supplier's claim of cost reduction. While the results of the survey were in fact comparable to the supplier's claim, a great amount of engineering time was committed and the buyer spent much time on this project at the expense of other work. Not until all this work was performed was a "capital expenditure justification" analysis performed.

WHAT WAS THE OUTCOME?

The justification analysis indicated that the project would not qualify under the company's current capital expenditure program. While some money could apparently be "saved," the competition for capital equipment money is such that a minimum return-on-investment level must be met to justify an expenditure. The buyer's mistake was in not performing a preliminary justification analysis before the months-long engineering study was performed. The result was costly waste of time and talent and diversion of effort from more potentially profitable activity.

A - 3, B - 3, C - 3. (1, 15, 16, 17, 23, 26)

21. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Purchasing of material on cost alone.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer changed vendors because of a one or two cent price savings per item.

WHAT WAS THE OUTCOME?

During the storm outage regular vendor was the only one who could help us out.

The vendor who had cut price did not have the stock on his shelves to supply us in an emergency.

A - 2, B - 2, C - 1. (21)

22. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Purchasing agent for a company that was in the piping business. He periodically sent out large inquiries for pipe, valves and pipe fittings to five or six local suppliers for materials when they have a job to do.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer took the bids when they came in and computed total cost in dollars for each quotation. He gave the order for $5,000 worth of pipe fittings to one supplier, received the material and installed same on the job. It was winter time and no heat in the building and when men went around the building to turn off cold water outlets prior to turning on the water, the valve stems broke off on many of the valves and resulted in water damage and inspector demanded all valves be replaced.

WHAT WAS THE OUTCOME?

The outcome was that the next highest bidder by only $45 had quoted on furnishing a better valve with a quality valve stem that could have saved the additional expense. You cannot buy on price alone, but must look at items vendor proposes to furnish for the dollars quoted to be sure you are buying quality required for that particular job.

A - 2, B - 2, C - 1. (1, 4, 16, 17, 18, 21)

23. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Special high pressure stainless steel valves were required for a process in manufacturing plant.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer, after reviewing the bids, selected the bidder that would give the best possible delivery which, incidentally, was not the lowest-price bidder. The delivery date selected was some 8 weeks longer than the required date in order to complete the plant project. The buyer elected to discuss with his chosen bidder the possibility of premium payment to improve delivery. The buyer and seller agreed upon an amount. However, the seller did not comply with the verbal agreement as there was some misunderstanding between buyer and seller regarding the improved delivery that was to be accomplished by the premium payment.

WHAT WAS THE OUTCOME?

At the time the buyer believed the valves were ready for delivery, he found that they would be ready in the prescribed time; and, therefore, he not only spent premium money but received only the same delivery as originally quoted by the supplier. In addition to the premium, the job was delayed at an additional expense to the company.

A - 2, B - 2, C - 1. (1, 9, 11, 14, 26)

24. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Proposals were sent out by a buyer to appropriate vendors for price quotes on airline baggage tags. Proposals were very complete and incorporated all of the conditions which must be met for a system contract award. Answering proposals required considerable expenditure on the part of prospective vendors.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

One of the vendors who had failed to receive the award called to ascertain the reason. He was informed by the buyer that he was the low bidder and had met all company requirements, but after a given amount of

reflection it was decided to stay with the old supplier rather than take a chance on a new vendor.

WHAT WAS THE OUTCOME?

The rejected vendor contacted chief executive officers of the airline and complained bitterly. Also, he expressed his displeasure to other suppliers and materially affected the buyer's capability to get acceptable interest in his company's requirements.

A - 1, B - 1, C - 1. (5, 16, 21, 28)

25. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A part on one of our tools being run by an outside shop broke. Outside shop put in last spare parts and called us for more spares.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Our man wrote note to supply crib to ship spare parts . . . that was all.

WHAT WAS THE OUTCOME?

One week later, the outside shop called to advise parts had broken again. They had no spares and tooling was shut down . . . the fastest they could get parts from us was the next day.

Moral of the story: written messages do not guarantee results. Proper follow up must be instituted.

A - 1, B - 1, C - 2. (6, 10, 13, 16)

26. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Typesetting for our in-house print shop traditionally was purchased from local typesetters. One division of the company acquired a composer typesetting machine for its own work. As a service to the other divisions, typesetting and composition was done by the divisions personnel on the composer but eventually the manager ruled that this division could no longer accommodate this work. An offer was made to move the composer to a central location and add additional equipment to automate repetitive work.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

In taking up the proposition with management, the buyer did not present all the facts that would indicate the economies that could be made. Also, as an additional person would be needed to run the equipment no figures were presented to indicate the return on investment that would result.

WHAT WAS THE OUTCOME?

A lack of a proper presentation delayed the acquisition of the equipment and in meantime the work had to again be sent outside at considerable expense. This expense will continue until the buyer can assemble facts and figures which will justify this acquisition to management.

A - 2, B - 3, C - 3. (1, 3, 12, 26)

27. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The lack of attention by a succession of buyers had led to a backdoor selling situation in the purchase of process control instruments. One manufacturer had become the preferred source through the efforts of a particularly bright and forceful salesman.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

After trying for some time to regain control of the situation, the buyer was reduced to complaining to anyone who would listen that his efforts to restore a competitive situation were being thwarted at every turn by the "super" salesman and by plant engineering and maintenance personnel. He insisted that even when he was able to buy competing products they were sabotaged by plant personnel. He also said that the favored supplier was furnishing obsolete or inferior goods at premium prices.

WHAT WAS THE OUTCOME?

The buyer's attitude "the whole world is against me" met with little sympathy and the situation did not improve.

A - 2, B - 3, C - 1. (3, 15, 18, 21, 26)

28. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A salesman told our buyer he could save the company 15% by purchasing a larger quantity of a special

grade pipe for well drilling use. The size and length would be standard, but the chemical analysis would be slightly off standard.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer purchased this material from which we manufactured pipe couplings for deep oil well drilling purposes and signed a purchase order for 12 months anticipated requirements for shipment in equal monthly quantities.

WHAT WAS THE OUTCOME?

The oil companies requested pipe couplings stronger than heretofore because they had to drill deeper for oil and gas and this required pipe having a different analysis using more nickel and chrome so the string of pipe in the ground would not break in half.

A - 2, B - 2, C - 1. (1, 7, 8, 11, 13, 19, 21, 23)

29. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An invoice was paid that indicated a price per thousand instead of by the box (5,000 in a box).

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The purchase order showed a unit price--but not the unit. It should have shown per box.

WHAT WAS THE OUTCOME?

The purchase was made from an out-of-town supplier by phone. It developed that he could not or would not refund the over-payment. After a few months of writing letters and long distance phone calls, a partial refund was obtained through accepting other office supplies. Now, all purchase orders clearly indicate the price and the unit.

A - 2, B - 3, C - 2. (1, 11, 21, 27)

30. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer conducted a repeat order study and asked the ordering shop to stock a part rather than send through repeated non-stock requisitions.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He failed to explain in dollars and cents the quantity prices that could be obtained from ordering larger quantities at one time.

WHAT WAS THE OUTCOME?

The ordering shop retorted that purchasing's job was to buy as they required, and nothing was accomplished.

A - 1, B - 1, C - 1. (1, 3, 26)

31. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Large electrical equipment manufacturers made a proposal which included sheets of "fine print" that set forth the conditions of sale. The buyer in the press of business easily succumbed into reading only the typed proposal and ignoring the fine print. When the order was written to be sent to one of these large manufacturers, the order referred to and incorporated the equipment manufacturer's proposal by number and date. The proposal had a clause "price firm for delivery January 1, 1970." The purchase order the buyer wrote had a clause "this is a firm price." The manufacturer had a three month strike which delayed shipment three months. He invoiced escalation of $7,330 on this $770,000 purchase.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

There were unfortunate aspects to the awarding or order writing. It would have been well if the buyer had planned early to write the contract so the supplier's proposal and the order would have been all one document and all proposal fine print clauses preempted. Or if he preferred to stay with the two document concept, he should have excluded or ruled out those clauses of the proposal he felt detrimental or incongruous by means of specific statements in his written contract. Typical would have been the price clause wherein no escalation beyond the order delivery date would have been permitted. Finally, strikes, acts of God, or other forced majeure provisions should be exemptions for both the buyer and seller, not just one party. This contractor had the strike. The product was furnished at the time of the strike and

was sitting ready for delivery. No increased costs were experienced by buyer or seller. Therefore, neither party should get or lose from escalation.

WHAT WAS THE OUTCOME?

The purchaser has denied the obligation to pay the escalation. The supplier claims his escalation rights are contractual and irrevocable and proposes to take action against future business in the form of special clauses that will make the buyer pay 1 1/2% monthly interest on money they figure due them for any reason beyond 30 days. The matter is still open.

A - 2, B - 3, C - 1. (1, 4, 11, 16, 21, 26, 27, 28)

32. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A chemical engineer, with a master's degree in chemical engineering, after a few months training in purchasing techniques, was assigned responsibility for buying chemical process equipment. He had previously had several years experience in plant engineering. After several months, plant engineering complained about purchasing service in this buyer's area. They were not getting quotations when requested nor did they receive answers to technical questions requested from vendors. Investigation revealed that considerable backlog had built up at the buyer's desk. Some requests were over a month old and nothing had been done on them.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

The buyer referred many requests to his secretary without instructions for processing and never followed up to see if anything had been done. He did not ask for overtime or additional assistance for either his secretary or himself. His secretary requested a transfer. Plant engineering felt they should bypass purchasing and deal direct with vendors to secure information desired. The buyer was spending too much time on a few projects in which he was interested and had no ability to quickly dispose of the routine work or adequately delegate it. He did not discuss his problems with his supervisor.

WHAT WAS THE OUTCOME?

Some commodities were transferred to other buyers in the same commodity group. A floating buyer and

additional help were assigned to assist the buyer. After the backlog was worked off, he was given another opportunity to handle the work under close supervision. He was not able to do it, and was reassigned to another buying group to handle more routine office equipment and supplies. Eventually he failed here also and was separated from the company. He lacked the necessary characteristics of follow through, dependability, communication with supervision, efficiency and speed required in business operations. He was advised to try a completely different field such as research or education.

A - 1, B - 1, C - 1. (3, 6, 15, 16, 26)

33. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Direction and operation of procurement-buyer's supervision under direction of director of procurement, however, general manager directed buyers to act under direction of manufacturing manager for releases, planning etc., while procurement department was under direction of finance department.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer followed direction and guidance of manufacturing manager. Program was not workable as the manufacturing manager was making decisions based on daily problems and solutions of manufacturing whereas purchasing management was based on weekly or monthly program. Planned program vs. emergency program.

WHAT WAS THE OUTCOME?

Since the buyer accepted direction from another department the whole management program failed to work as only daily problems were solved by the two departments involved in the same joint problem. End result only has added chaos to a rather simple problem. Programs should be tested and proven prior to being injected piecemeal into an operating department. Similar to computer story: "Gigo" (garbage in, garbage out).

A - 1, B - 1, C - 1. (15)

34. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer located at one plant was responsible for purchasing materials for both it and another plant located a few hundred miles away. Because of longer

in-transit time from vendors to the remote location he was instructed to be sure that orders were to be handled as expeditiously as possible, with no favoritism shown to local plant.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer allowed local personnel to exert pressure on him to the point he began to ignore calls from remote source expeditors or paid only lip service to their complaints. Manager of remote location, after learning of the situation called manager in charge of both locations to complain of favoritism. Result was reprimand for buyer and loss of a projected salary increase.

WHAT WAS THE OUTCOME?

See above.

A - 1, B - 1, C - 2. (3, 15, 26)

35. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer was instructed to purchase "BOLTS" for a multi-plant structure.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer did not communicate with the manufacturing plants in order to determine annual requirements and did not make allowances for balances "on hand." Agreement was made with vendor to purchase large quantity of bolts at a very low price.

WHAT WAS THE OUTCOME?

Manufacturing plants received over-supply of their requirements and eventually had to scrap over-supply incurring loss, thereby distorting an otherwise fine purchasing effort.

A - 2, B - 2, C - 1. (1, 3, 7, 10, 21)

36. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer received work that a material was urgently required to prevent a mill shutdown. The buyer was not knowledgeable in the area of the material required.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer failed to consult with the (purchasing) department head who was extremely proficient in the subject area and who could have recommended a local stocking distributor or alternatives.

WHAT WAS THE OUTCOME?

Loss of time and money resulted from higher cost of product and transportation expense from a point remote by comparison.

A - 2, B - 1, C - 1. (1, 2, 3, 15, 17)

37. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A plastic packaging film was purchased from Company A, converted to a cheese wrap by Company B, for sale to cheese producer Company C. When the product was put in the markets, much of the cheese molded, due to off spec film from Company A.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Company B's buyer went to Company A and demanded they replace all the film ($35,000), pay Company B for their costs associated with converting the film ($20,000) and pay the cheese company for the costs of retrieving the bad cheese and replacing it with good ($10,000). Company A offered to replace the film with good product and pay 1/2 the costs of converting to Company B. Company B's buyer refused this offer and threatened to sue.

WHAT WAS THE OUTCOME?

1. Legally, all A was obligated to pay was replacement cost, which he did.
2. Company A was a significant customer of Company B. After this incident Company A switched their business elsewhere.
3. Company C collected retrieval costs of $10,000 from Company B and ultimately switched their business to another company.
   Lost sales--$100,000/year.

A - 2, B - 2, C - 2. (1, 9, 11, 18, 20, 22, 27, 28)

38. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

During the course of weekly project status meetings, it was noted that most delinquencies were under control of one particular buyer. Even though the items were not of a complex nature, no progress was being made in reducing the percentage of delinquencies.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer complained that the sources selected by previous action not under his control were habitually slow in meeting commitments and his expediting support léft a lot to be desired. He did not initiate any program with the expeditor to correct the situation.

WHAT WAS THE OUTCOME?

The buyer performance record suffered for a period of time and as a result merit increases were held up. However, the situation was corrected by opening up communications between buyer, expeditor, and receiving personnel. It was discovered that material was being received in time but was lacking the proper documentation and was not being recorded on receiving documents upon receipt. Once their communication problem was corrected, performance was improved, but up to that point the buyer had hurt himself considerably due to the lack of perper action.

A - 2, B - 2, C - 3. (6, 15, 16, 19, 26)

39. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

In October, 1970 the steel industry introduced class B steel at a price $9-$12 per ton less than the normal price for sheet and coil. Class B steel is identical to normal mill steel with the exception of minor surface imperfections. All steel buyers were directed to obtain approval from plant locations to substitute class B steel whenever possible.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer at one location did not effect proper communication or follow-up procedures with responsible plant personnel.

WHAT WAS THE OUTCOME?

Class B steel usage gained only 10% of the steel buy at the location in question. Class B steel usage at other locations ranged from 35-65% of the steel sheet and coil buy.

A - 2, B - 3, C - 2. (1, 3, 6, 15, 23)

40. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer authorized to purchase typewriter for secretarial station.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Suppliers were called in to furnish proposals and discuss specifications. Buyer conducted thorough investigation to determine what he considered desirable combination of price, features and performance, or in other words, "the best buy." Typewriter was purchased and installed at station.

WHAT WAS THE OUTCOME?

Secretary and her supervisor were completely dissatisfied with brand and features of typewriter.

Error: buyer left out one complete step in his task . . . he failed to discuss requirements with people who would actually use typewriter. He should have discussed particular requirements desired, explained new features available, etc. (Note: his typewriter selection might possibly have been the same.)

A - 2, B - 2, C - 2. (3, 16, 26)

41. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Several vendors of steel and aluminum, sought company's business on a regular basis.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Purchasing led all to believe they could have a lion's share of the business.

A stock was maintained by each vendor to back up the commitment made by the purchasing agent.

WHAT WAS THE OUTCOME?

Each vendor was left with a large limited demand inventory of items they will have for a long time.

The result is the purchasing agent's company to maintain a form of "goodwill" will have to work off these items from the various vendors, while losing its leverage in the marketplace.

A - 3, B - 1, C - 1. (5, 21, 28)

42. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Shipment of metal fabricated parts were received long after promised delivery date. Receiving inspector rejected them as being improperly machined and notified buyer. Less than 25% of the shipment was urgently needed.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Because they were over due and holding up production, buyer arranged for rework of entire shipment in his own plant without taking time to obtain authorization from vendor. Work was done on an overtime basis.

WHAT WAS THE OUTCOME?

Vendor would not cover cost of materials for rework of entire shipment (only part was overdue) and objected to work being done on an overtime basis; therefore, company was able to recover only part of costs.

A - 2, B - 1, C - 3. (1, 9, 11, 15, 20, 27)

43. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A significant cost reduction/source reduction program on grinding wheels had been initiated by purchasing. The buyer was not totally enthused, but seemed to be "coming around." Success of program depended upon smooth, diplomatic, and flexible approach with key manufacturing areas during wheel qualification time period.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

An early trial wheel failed a test and was reported to be limiting output. The line foreman was upset and called the buyer threatening to discontinue the entire

program in his area. The buyer indicated to the foreman first that the foreman was wrong, secondly--that the program was lousy, and thirdly that it didn't make any difference anyway--they'd have to make the wheels work.

WHAT WAS THE OUTCOME?

Several high level purchasing/management personnel became involved--the immediate problem was resolved and the program put back on stream; however, a loss of approximately 2 months resulted and a definite program slow down occurred in this area--financial loss approaches $10,000.

A - 2, B - 2, C - 3. (1, 3, 15, 26)

44. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our international purchasing program was being expanded, recognizing economies, quality and capacity advantages. The buyer assigned to international was charged with a "buy goal" of $X for his operation with a cost savings % for qualification. Key parts were identified as candidates. Domestic buyers were wary.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The international buyer made commitments without consulting with or communicating his "agreements" with domestic.

WHAT WAS THE OUTCOME?

Dual commitments
High inventories
Domestic supplier price realization
Domestic buyer antagonism
International program lost credibility and support with the resulting slow down in realization of its advantages.

A - 1, B - 1, C - 1. (1, 3, 10, 15, 21, 26)

45. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer decided to requote most of his screw machine parts to see what cost savings he could come up with. One particular part with modest usage was to be the main example.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer sent out many requests for quotes and had the best five sources submit samples to quality control for testing and approval. After much time and effort was expended, the buyer placed a long lead time order with one of the approved sources for a one years supply, at a 10% savings per piece. Because of the close margin on the order, the supplier requested and got a non-cancel order.

WHAT WAS THE OUTCOME?

Before the order was even delivered, engineering obsoleted the part. The buyer hadn't checked with engineering at all. They had been working for two months on a method of eliminating the part completely.

A - 2, B - 3, C - 1. (1, 7, 16, 20)

46. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

On a subcontract for foundation work, the buyer issued a commitment letter based on a preliminary proposal. Then our requirements changed, the contractor increased its price exorbitantly, engineering started corresponding directly with the vendor, and the agreement was delayed.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer was timid in his approach and lost control of the situation. He wrote notes in the file instead of bringing the problems into the open by effective communication. His timid approach also encouraged the engineering department to attempt to negotiate an agreement directly.

WHAT WAS THE OUTCOME?

The prices were probably higher and there was a great deal of time and effort spent by purchasing, engineering, legal, accounting and the contractor in clearing the confusion.

A - 2, B - 3, C - 3. (1, 3, 9, 11, 15, 16, 26)

47. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An authoritarian-type buyer was offered a spare parts contract involving a nominal investment as a possible solution to a severe delivery problem on high unit-costs items. Slow delivery which resulted in substantial losses to buyer's company. The parts could not be obtained elsewhere and manufacturer stated that he could not afford to carry a larger inventory.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer angrily rejected proposal and insisted it was manufacturer's duty to carry an adequate inventory of spare parts at all times. Buyer stubbornly refused to evaluate realistically the alternatives that were open to him at real cost to his company.

WHAT WAS THE OUTCOME?

Since there was no alternative deliveries continued to be slow and buyer's company continued to sustain severe down-time losses.

A - 3, B - 3, C - 3. (1, 2, 10, 15, 21, 26, 27)

48. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We had purchased a cast iron case, which was causing us much expense in rejection rate. Secured prices on die casting which had tool charges of $3,800.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Presented to my boss. He advised too much money for dies. Did not look at long range plan possibility. Turned down entire program. In spite of projected savings, he only saw the large tool expenditure.

WHAT WAS THE OUTCOME?

Killed project because of no foresight into future. Could have saved $2.50/case.

A - 3, B - 3, C - 3. (1, 17, 18, 20, 26, 29)

49. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A request was received to purchase three new automobiles with a trade-in of three used automobiles.

The buyer was requested to obtain prices from two sources. The net prices from the two sources were within $10 per automobile. Since we desired to compare costs and performance between two different makes, the buyer was asked to determine from the dealers if one would furnish one car at his bid price and if the other would furnish two cars at his bid price.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer approached the dealers with the statement: "I don't agree with what my company is doing but I must ask you anyhow." Since the condition of the automobiles to be traded varied widely, the buyer should have asked each dealer if he would accept the deal if we would give him vehicle number X. The buyer failed to do this and also failed to ascertain if the proposed new automobiles were equipped identical to each other.

WHAT WAS THE OUTCOME?

As a result of the numerous telephone calls and seemingly contradictory statements by the buyer, a great deal of ill will was generated between the dealers and our company.

A - 3, B - 3, C - 3. (9, 15, 17, 18, 21, 26, 27, 28)

50. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our purchases over $500 must be on bids. When several requisitions for similar items for the same application came in, the buyer called the purchasing agent's attention that combined they were over $500.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The purchasing agent told the buyer to mind his own affairs--not to go looking for trouble.

WHAT WAS THE OUTCOME?

The buyer was disgruntled and the morale of the whole office was weakened.

A - 2, B - 2, C - 2. (3, 15, 26)

51. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Mill supervisor called purchasing representative and reported steel was out of tolerance but they were trying to run production anyway.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Purchasing said OK, that he would notify supplier.

Purchasing did not:

1. Get details of how steel was out of tolerance.
2. Tell mill supervisor to take steel out of production line and use steel from another mill order.

WHAT WAS THE OUTCOME?

When purchasing notified supplier, the supplier agreed to come out and check steel. Two days later when vendor's metallurgist arrived all the steel from this mill order had been run through production. There was no steel left to make a legal claim. The result was a loss of production with much expensive scrap end product produced.

A - 2, B - 2, C - 3. (1, 11, 15, 16, 18, 20)

52. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

I had negotiated a national contract for printed garment labels to be supplied to all plants by one vendor. The contract called for a stipulated quantity based on the previous years actual purchases. Copies of the contract were distributed to all plant purchasing managers with instructions to use. A first quarter usage report from the vendor showed that we were not purchasing the volume to honor our commitment.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

A breakdown of actual purchases showed that one southern plant had purchased one small lot only. A call to the purchasing manager disclosed the fact that he had leased a lable printing machine and was printing the plant's needs instead of purchasing his requirements against our national contract as instructed. (He thought he was saving money was the reason given.)

WHAT WAS THE OUTCOME?

His total cost per thousand labels was actually higher than the national contract price. He put into jeopardy the national contract as negotiated which would have affected the cost of labels to all other plants.

The worst after effect was the loss of faith in his abilities to function as a manager; the newly created need to checkup on his actions. Time has healed the wound and yet the scar tissue is still tender to the touch.

A - 2, B - 1, C - 2. (1, 3, 12, 15, 16, 23, 26)

53. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We were getting complaints from using departments about the poor quality of the stationery paper.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He kept putting the various people off by saying there was nothing wrong with the paper and various stalling tactics.

WHAT WAS THE OUTCOME?

It finally got to the president's office at which time I was informed of the problem, I called the mill representative and got the problem solved very quickly.

A - 3, B - 3, C - 3. (3, 15, 16, 17, 18, 26)

54. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The safety director called a buyer for assistance in securing prices and literature on a new safety light not requiring power or batteries. He told the buyer the name of the manufacturing company of the light.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer told the safety director that he did not know the division that handled the sale of this item. He advised the safety director of the telephone number of their New York office in case he would like to call them for assistance.

WHAT WAS THE OUTCOME?

The safety director called me, and advised me, he did not intend to do our job, nor pursue this any further with this particular buyer. Needless to say, the buyer and I had a little discussion and the lights are now being purchased as required by this buyer.

A - 1, B - 1, C - 1. (3, 15, 16, 21, 26)

55. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

It was felt by certain individuals that a detailed and complex vendor rating system involving engineering, quality control, and purchasing would prove highly desirable.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He developed a system whereby, engineering, quality control, and purchasing would rate each supplier on all shipments received. If a shipment was one day late ratings were assigned by purchasing. If savings to engineering were lacking, engineering would establish a rating. If rejects were involved, quality control.

WHAT WAS THE OUTCOME?

A shambles-input was delayed ratings varied according to the individual assigning them. The whole system collapsed because of the paper work involved, and the combined ratings were meaningless.

A - 1, B - 1, C - 1. (16, 19, 24)

56. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer receives order from his customer for an oversize, light gage (thin), fragile sheet of steel. Not available from stock or any local source, an order is placed with a supplier some 200 miles distance.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The sheet was shipped with minimal amount of non-rigid protection which offers surface protection only. The receiving department noting the nature of the protection handled the sheet only with regard to surface protection.

Consequently, the sheet was damaged by bending. Receiving turns sheet over to shipping in this condition. Shipping, noting that there were no "special handling" instructions on the reshipping papers, sent the sheet on to the customer.

WHAT WAS THE OUTCOME?

The sheet was refused by customer's receiving department and returned to the vendor.

Buyer was censored for not requiring adequate protection in shipping, for not noting purchase order about this same protection to alert receiving, for not noting "special handling" on reshipping papers to alert his shipping; and finally neglecting to use extra follow-up and follow-through procedures on an order covering "special quality" material. His assumption that everyone involved would do the "right" thing in the processing of the order was his most serious mistake.

Both receiving and shipping were censored for their parts in the incident. Guidance should have been asked for before proceeding with processing of the order.

As a result, guidelines for order processing were both clarified and strengthened.

A - 2, B - 1, C - 3. (1, 2, 3, 6, 16, 17, 18, 19)

57. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The buyer found a new lift truck on the market which would save approximately $1,000 which was in the production area but he failed to notify maintenance of its coming.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

Maintenance would not check the new truck and stated they were not prepared to repair or keep spare parts for another brand of truck. Production liked the truck and savings. Maintenance found many problems with the new unit when they were forced to check it out.

WHAT WAS THE OUTCOME?

We had to make peace first with the maintenance group and prove to them that spare parts for the truck were

available already. We did buy the truck but it would have been much simpler if the buyer had discussed the truck with the maintenance superintendent.

A - 2, B - 2, C - 2. (3, 15, 18, 23, 26)

58. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The procurement officer felt that a number of services that were being supplied by a support contractor could be supplied by in-house personnel with a minor shifting of functions. The purchasing department put in a suggestion to do this and save $100,000.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The supervisor of the area that required reorganization was afraid that his status would be threatened. He used all his influence with the top level personnel to discredit the suggestion and subsequently got it disapproved.

WHAT WAS THE OUTCOME?

The young procurement officer was frustrated and stopped looking for new ways to innovate and considered looking for a job in another organization.

A - 1, B - 1, C - 1. (1, 3, 26)

59. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An electrical turbine at one of our steel mills was in need of repair, and a member of purchasing was asked to make the necessary arrangements. The manufacturer of the turbine had to subcontract cleaning of the equipment by a company equipped to do sandblasting. As there was a general strike by the Teamsters at the time, the sandblasting company had to subcontract with an independent trucker to move the turbine first to the location where it could be cleaned and then to the electrical manufacturer's plant site.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Pressed for time, the buyer made the arrangements and was extremely careful to have the equipment properly

loaded on the truck so as to minimize the risk of damage. En route, the truck driver parked his truck in order to have lunch, and some unknown person sabotaged the cables holding the turbine in place. As the driver later approached his destination along a curving road, the load shifted, tipping the truck and seriously damaging the turbine.

WHAT WAS THE OUTCOME?

In spite of the care taken by the buyer, it was later discovered that, through all of the subcontracting and sub-subcontracting, there was no clear definition of responsibility for the equipment while in transit. Although the buyer thought he was being thorough, he was apparently not thorough enough in view of the fact that sabotage was possible. The electrical manufacturer, the sandblasting company and the trucker disclaimed responsibility, and the steel company had to pay for the damage to its turbine in the absence of a written agreement clearly defining responsibility.

A - 2, B - 3, C - 2. (1, 2, 6, 9, 11, 14, 16, 18, 24)

60. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A junior buyer decided to drop an old supplier of wiping cloths in favor of a new one offering a supposed 1/3 saving in the cost of washing cloth wipers on a weekly basis. Annual cost with old supplier, $8,000.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

He failed to take into account that the new supplier had a policy for replacement wipers that had worn out or been lost. Nor did he take into consideration the cost for our stock clerk that had to count the hundreds of weekly outgoing and incoming wiping cloths that was a necessary part of the new agreement.

WHAT WAS THE OUTCOME?

The high cost of replacements showed an increase in cost of $2,500 over the previous year's cost with the old supplier. Not to mention the two hours per week lost by our stock clerk in counting wipers. Annual cost with new supplier, $10,500.

A - 1, B - 1, C - 2. (1, 3, 10, 13, 17, 21, 24)

61. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The company produced precious metal-base metal combinations as the by-product of its manufacturing operations. These combinations were sent to a precious metal refinery for recovery.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer selected a well known but small local refiner for the business, but was unable to make a complete check of the supplier's credit rating, and depended greatly on the supplier's reputation for assurance of solvency.

WHAT WAS THE OUTCOME?

The supplier went bankrupt owing the company money. By placing too much reliance on subjective rather than objective credit data, the buyer cost the company money.

A - 2, B - 1, C - 1. (1, 11, 20, 24)

62. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The buyer did not know that a requirement existed until the requisition was placed on his desk. The requirement covered an item that approached the "state of art" and there were no suppliers that could fabricate the product, to the knowledge of the buyer or engineer. It was necessary that the procurement cycle start at that point.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

In an attempt to cut lead time, there were no technical or engineering discussions of the quality required. The supplier's plant was not surveyed for capability and the buyer relied on sales representatives of the company to describe their talents.

WHAT WAS THE OUTCOME?

It was necessary that we cancel the order for non-proformance of the particular supplier. The buyer had no recourse, since there was a lack of understanding and clarity in the drawings. Thus, the program production was missed.

A - 2, B - X, C - 1. (1, 14, 18, 21, 22)

63. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Sales department requested purchasing to procure powder graphite in plastic bottles, instead of cans due to improved application characteristics, appearance, etc.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer purchased bulk graphite, plastic bottles, etc. and organized outside filling service. Significant cost savings resulted. However his excitement over the savings outcome caused him to overlook a most important consideration: the outside filler was not equipped to bottle the graphite fast enough (capacity) to meet our demand.

WHAT WAS THE OUTCOME?

Three months following the implementing of this program we were still in trouble with regard to locating a supplier who could fill the bottles in accordance with our demand. The material savings was more than offset by the costs of lost sales due to lack of filled bottles to ship.

A - 1, B - 1, C - 2. (1, 10, 21)

64. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer was given responsibility of buying stationary.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer received phone call. Dr. So and So's brother had died and he was selling his office supplies business for the widow. Buyer fell for this and received short shipment, also articles were overpriced.

WHAT WAS THE OUTCOME?

Buyer was severely reprimanded and given responsibilities that I thought would prelude his dealing with conmen.

A - 2, B - 2, C - 2. (1, 5, 16, 18, 21)

65. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer requested to review and prove value of purchasing specific hardware item from one or lone vendor. Questions asked by management:

1. Why is one company sole source of supply for corporation?
2. Purchase records disclose: Three vendor's quotes on item not acceptable--why?
3. Solicit vendors for possible second source on the item where engineering would approve type for use at a competitive or lower cost.
4. Review program complete with present vendor for possible cost reduction of part through:

   (1) quantity purchase, (2) quantity releases, (3) full shipments, (4) group shipments, (5) other vendor suggestions for possible cost reduction on present piece.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer did not follow instructions and answer specific questions as requested by management and permitted one of the potential vendors to sway his investigation (as requested by management) at the time of inquiry and to present samples of another type for engineering review. Acceptance of a new type would have been in order at another time, however, since lengthy testing and fatigue tests were necessary to conduct prior to engineering approval of the item the program was delayed and initial questions were not answered in view of management.

WHAT WAS THE OUTCOME?

Since the buyer had not reviewed the purchase for reasons given, the project was cancelled and new types were requested by engineering with possible six months or more of extra costs incurred through use of the special item. A time of approximately six months necessary to test new item and receive engineering approval for use in the product.

A - 1, B - 1, C - 1. (1, 6, 14, 15, 16, 17, 18, 21, 23, 26, 27)

66. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Analyses of electrical equipment purchases. Emphasis to be made on use of two suppliers vs. single supplier. Reasons:

1. Assure best value and price with assured delivery at right time.
2. Eliminate special or premium delivery costs in freight and follow up.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Present vendor was notified and representative of company (vendor) modified program to eliminate present delivery and cost problem, however, the advantages of using a second source of information and percent of requirements was lost through review with the single present vendor or present source. Competition in any field of business is always advantageous to both customer and supplier. In short, "a lazy approach to procurement value."

WHAT WAS THE OUTCOME?

Program as outlined by present vendor was over-ruled for many reasons as two or possibly three potential vendors were given the facts and each has requested to submit a program to improve the present program and to assure delivery, right price and quality. Two good vendors were later selected after a proper review.

A - 1, B - 1, C - 1. (4, 15, 16, 21)

67. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A printing order has to be placed for a large volume purchase.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He got three bids from people that did not have the proper equipment to do the job required. Bids showed differences of $1,000. He was ready to place the order with the lowest bidders for $49,000.

WHAT WAS THE OUTCOME?

He was stopped and the order was placed with a supplier with the proper equipment for $28,000.

A - 2, B - 2, C - 1. (4, 13, 18, 21)

68. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A part was changed in material and design from malleable iron to a stamping by product engineering well in advance of a new model start-up date.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Instead of conducting a survey to determine the available capacity for the newly designed parts, the buyer relied upon the judgment of a salesman representing the company which appeared to have the greatest supply capacity. As the time approached for production samples, sample date promises were not met due to delays in receipt of required machinery and equipment. As a result of these problems, the supplier plant change-over was delayed to the point of jeopardizing production requirements.

WHAT WAS THE OUTCOME?

For a considerable part of the model year, the supplier was behind schedule and required special assistance of a technical nature. In addition, the buyer had to develop additional sources to relieve the problem.

A - 1, B - 1, C - 1. (1, 4, 6, 7, 10, 14, 21, 27)

69. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our casting buyer registered an "over the board" price increase from one of our new suppliers. He pulled our patterns and moved them to new source. This new vendor (upon receipt) could not make the parts.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

ATE CROW! Returned the equipment to the original supplier.

WHAT WAS THE OUTCOME?

Had to live with price increase, present relations with this supplier are not the same. In fact, we received another increase after Phase II which topped all other supplier increases.

A - 2, B - 1, C - 2. (1, 9, 13, 18, 21, 24, 25, 28)

70. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Supplier delivery and quality rapidly deteriorated following a change in management personnel. Supplier was a long time source of parts.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Control of situation lost so that it required a crash program to replace over sixty items at over a dozen new sources. Original source told that we would never buy from them again.

WHAT WAS THE OUTCOME?

Many late orders from new sources because of time schedule forced on the supplier. Many quality problems due to inadequate time to develop special techniques at new suppliers. Original source lost completely.

A - 1, B - 1, C - 2. (1, 2, 5, 9, 10, 13, 16, 18, 21, 24, 27, 28)

71. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The company was interested in entering a market on products not previously sold. Problem was to find source that had production capability to allow for fast entry for product line expansion.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Vendor selected was located in a poor area, not easily accessible for truck routing causing 7 to 10 days delay in delivery.

Vendor was a competitor on a very small basis. As sales increased, delivery problems became a major concern, as the supplier kept falling farther and farther behind, creating serious customer relation problems.

Sales feed-back revealed the information that our supplier was also trying to sell our customers to the extent that he revealed that he was our major supplier. This resulted in much loss in business, bad vendor relations.

WHAT WAS THE OUTCOME?

Plans made to make all products in house and drop vendor as a source of supply.

A - 2, B - 2, C - 3. (1, 2, 5, 6, 7, 10, 21, 28)

72. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A consumer product was desired by the sales group to complement a product line. The supplier's company did not produce such a product and sales wanted it faster than they could tool up for it.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer negotiated with an unknown supplier and did not inspect his facilities and equipment or investigate his financial condition.

WHAT WAS THE OUTCOME?

An unsatisfactory product was delivered and, because of the several attempts to make a satisfactory product, it was necessary for the customer to provide financial and "know how" assistance to the supplier since there had been a commitment made by the buyer.

A - 2, B - 1, C - 1. (1, 6, 7, 9, 10, 14, 18, 21, 27)

73. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer needed a large quantity of leather for a line of shoes. Went to one source for the order and placed a blanket coverage. This supplier was not strong on past performance. Was rated marginal in our suppliers evaluation data. Supplier went into bankruptcy during contract session.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Placed contract for blanket coverage with a questionable supplier with no secondary or alternative source.

Did not investigate suppliers ability to deliver. Was looking or making decision strictly on price. Should have visited supplier and determined capabilities before buying.

WHAT WAS THE OUTCOME?

Had to scramble for alternative source in mid-season. Had to buy into a rising market. Lost production. Complete lack of thoroughness in doing his job.

A - 1, B - 1, C - 2. (1, 4, 6, 7, 9, 10, 16, 18, 21)

74. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Sent requests for quotes to wrong type of suppliers.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Cost the company more than double actual cost.

WHAT WAS THE OUTCOME?

Transferred buyer to a less technical group of commodities.

A - 2, B - 1, C - 3. (1, 17, 18, 21)

75. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A large customer order required the use of copper alloy strip beyond the capability of the company's usual supplier for that product. A new supplier was given the order.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The new supplier was advised of the quality requirements for the order and a cursory inspection of the first lot was made at the suppliers plant. The lot was approved and the first large shipment was made.

WHAT WAS THE OUTCOME?

Quality of the first shipment was far below the company's requirements, and it was clear there had been no real meeting of the minds in the original discussions with the supplier. Although the supplier

took back all defective products, the company was late in delivery on its contract and lost some of the business to its competitor. By failing to investigate and educate a new supplier, the buyer had done the company a substantial disservice.

A - 1, B - 1, C - 1. (1, 9, 10, 14, 18, 20, 21, 27)

76. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A key customer, a steel company, placed an order with our company for several hundred thousand dollars worth of equipment. As steel companies often do, this one specified that all steel used in the project would be purchased from them. Consequently, all bills of material for this project called out the source wherever steel was required. The bills of material were sent to the purchasing department for ordering.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer, when he received the bills of material, showed them to the purchasing manager, bringing to his attention the fact that the source for the steel was specified on the bill of material. The buyer was concerned, since he had other orders going in to another steel company and wanted to consolidate orders to lower his costs and material handling and shipping costs. The purchasing manager gave the buyer the approval to disregard the call-out on the bill of material. The steel was, therefore, purchased from another source. The purchasing manager should, of course, question call-outs of this type, but should not arbitrarily make his own decision without first talking to the requisitioners and, in this case, the engineering department of his company.

WHAT WAS THE OUTCOME?

When plant management found out about the incident, they were very upset, since it meant that they had to grind off the name of the steel mill which produced the steel. They, and the sales department, are very concerned that the customer will note the absence of their identification on some of the steel beams that were used in the project. The purchasing manager had a reputation of poor inter-personal relationships, and when he felt he was right, he usually went ahead and often, in the process, walked over many people.

A - 2, B - 2, C - 1. (3, 5, 11, 15, 16, 21, 22, 26, 28)

77. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The buyer complained because he had too many orders to process daily. When I reviewed his work load I discovered most orders were valued under $75.00. He did have too many orders to process.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He did not seek systems improvements to reduce his clerical activity or solicit help nor delegate low volume re-ordering or releasing requirements.

WHAT WAS THE OUTCOME?

The buyer did not seek solutions but his supervisor did. He implemented a systems contract and the function was eliminated.

A - 3, B - 3, C - 2. (3, 15, 16, 26)

78. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

This was the same circumstances as effective incident Number 2 (see Eff. No. 88). The Vice-president and General Manager told the 3 man team that the order must be placed with another company (MS Co.). MS was the second low bidder and locally owned. That evening the equipment engineering manager went to the Vice-president's home and again voiced his views that the MS Co. did not have the capability to manufacture the equipment. It was finally agreed that the order would be duplicated--one complete system to MS Co. and one complete system to TC company.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The same problem (fit was not tight enough for testing contact) occurred, but unfortunately the MS company was not able to modify their bars to accept the holding device.

As a result, even though the purchasing company paid in full for the accumulation of "junk" ($85,000) which was never even assembled, the MS company went into bankruptcy and out of business.

WHAT WAS THE OUTCOME?

The outcome was that the company who ordered the equipment lost $85,000. The fact that the vice-president and general manager had a financial interest in the MS company was not disclosed until several years later when he defected to a competitor.

A - X, B - X, C - X. (1, 5, 15, 16, 18, 20, 21, 26)

79. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer received a requisition to purchase formed metal parts. This was a new part with little information other than actual specification and the quantity needed and when needed.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer requested quotations from a number of suppliers for the number required. This caused the suppliers selected to only plan for supplying part in the quantity requested. The suppliers planned limited facilities to produce part.

WHAT WAS THE OUTCOME?

The first requisition was for a trial order but buyer had not checked. The cost of first order was too high because continued use of part would have resulted in different tooling that would have reduced cost. Cost for first tooling was lost because it had to be re-tooled to provide for continuous supply.

A - 1, B - 1, C - 2. (1, 7, 10, 15, 16, 21)

80. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Vendor A repeatedly brought new ideas to purchasing agent. Purchasing agent took ideas to Vendor B who always quoted lower prices because his R & D costs were nil.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Purchasing agent lost an excellent second source of supply. In fact, he was threatened with bodily harm by salesman for Vendor A.

WHAT WAS THE OUTCOME?

Company was locked in to one vendor thereby eliminating competition.

A - 1, B - 1, C - 2. (1, 4, 5, 21, 28)

81. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Major contract for approximately $500,000 per year worth of skids and pallets expiring. Negotiations needed to either renew or replace, to guarantee continuous supply.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Failed to issue inquiries on schedule, failed to issue certain notices of intent as provided in present contract. Our ineptitude (procrastination) caused severe loss of credibility with contract supplier. Final result was last minute renewal at increased prices in an emergency atmosphere.

WHAT WAS THE OUTCOME?

New (renewal) contract with shorter than desired term and price protection, markedly higher prices and poor image with other potential vendors who desired to solicit our business.

A - 1, B - 1, C - 1. (1, 4, 6, 7, 8, 9, 10, 11, 13, 14, 16, 21, 26, 28)

82. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A requisition was received from an affiliate company in a foreign country for a quantity of internally illuminated identification signs. These signs are four feet by eight feet in size, specially designed for our company, and relatively expensive. Patterns, molds and special hardware are required and normally no more than one or two vendors have been selected as approved sources of supply. Delivery was required in three weeks (less than the normal lead time for manufacture).

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The export buyer recognized the requirement as a sign used regularly in the United States. He correctly

identified the approved vendor and placed an order for urgent shipment without verifying:

1. availability (inventory)
2. electrical specifications
3. price for export packing
4. production schedule

or without even attempting to consult the domestic buyer involved. Management reviews order copies and because of an apparent lack of coordination referred this order to the domestic buyer.

WHAT WAS THE OUTCOME?

The domestic buyer immediately recognized a serious problem and by telephone arranged for a production schedule to be disrupted. Correct electrical components for the destination country could not be obtained in time to effect timely delivery. He, therefore, arranged for shipment without electrical components installed and forwarded drawings to the requisitioner so that required electrical items could be obtained and installed locally. Without this action, the original order would have been delivered with completely incorrect specifications and had to be returned at high cost or discarded--also delaying start-up of a number of marketing units.

A - 2, B - 3, C - 2. (1, 3, 6, 10, 15, 16, 17, 21, 22)

83. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

1. New design cutting tool set up for inventory.
2. Buyer accepted drawings with incomplete engineering data (engineer claimed he wanted to run tests).
3. Buyer single sourced original compliment.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

1. Buyer did not check into expected tool life.
2. Buyer accepted limited specifications.
3. Buyer did not cover with alternative supplier or call a vendor in for consultation on design,etc.
4. Buyer did not follow through on an experimental number for test purposes.
5. Buyer did not check out alternative material other vendors might have suggested.
6. Buyer took little initiative to check into entire requirement.

WHAT WAS THE OUTCOME?

1. Job went down for lack of tooling.
2. Alternative vendor had to be called in and placed on premium fabrication time.
3. Plant managers direct investigation.
4. Written report given and buyer given verbal warning to follow through on all future designs.

A - 3, B - 3, C - 3. (1, 3, 4, 6, 7, 15, 16, 17, 18, 21, 22, 23, 26, 27)

84. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

1. Constant "stock out" on three low volume parts.
2. Buyer was requested to investigate and come up with a solution.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

1. He claimed to have checked the engineer's specs and found the quantity bought was to their requirements.
2. He claimed to have checked with the tool engineer and found the design was O.K. (word of mouth).
3. He claimed that the set up men were abusing the tools and causing breakage (word of mouth).
4. He proceeded to push the request aside, hoping the problem would go away by itself.

WHAT WAS THE OUTCOME?

1. He permitted the job to go down again.
2. He was directed to order a minimum of two months tools to be placed on the vendor shelves at all times.
3. He was directed to send a written report to the production engineer giving his limited findings and requesting a redesign or complete investigation on usage.
4. He was directed to give a daily report on the progress of his assignment.

A - 2, B - 3, C - 2. (1, 3, 6, 7, 10, 15, 16, 17, 18, 19, 22, 26)

85. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A supplier, part way through the production of several thousand shipping containers, discovered he had

misunderstood the specifications and was making them incorrectly. Supplier asked buyer for authority to make some "minor" modifications so that he could utilize the board already in production. The buyer, in an effort to help the supplier, readily agreed.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

As is often the case, the problem was an omission of effective action rather than a commission of ineffective action. In this instance the buyer accepted the opinion of a salesman who didn't know any more about the possible effects of the change than he did himself.

He should have (1) asked for a completed sample of the product before authorizing the completion of the entire order (this would have shown up the deficiency of the redesign before either the buyer or the seller invested further time or money) or (2) having believed the salesman that the "minor" change would not hurt anything, the buyer should have refused to pay for the unusable result and/or insisted upon a new, properly made shipment.

WHAT WAS THE OUTCOME?

The result was a monetary loss to the buyer's company. (It is to be hoped, of course, that the buyer learned from the experience and will be more careful in the future.)

A - 1, B - 1, C - 1. (1, 6, 9, 11, 16, 17, 18, 22, 27)

86. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An old, well established, long time dependable supplier started having trouble with deliveries. Our expediter attempted for two months to get them up to schedule. The expediter finally reported his problem to the buyer who then wrote the supplier cancelling all outstanding orders.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer should have first (a) phoned inviting an official of the firm in to discuss the problem, or (b) written a warning letter that all orders would be cancelled if their delivery performance wasn't improved by a certain date.

WHAT WAS THE OUTCOME?

The purchasing manager, receiving a copy of buyer's letter, directed the buyer to arrange for a meeting with vendor official who was unaware there was a problem. Orders were reinstated, the problem was corrected immediately, and both parties are satisfied again.

A - 2, B - 3, C - 3. (6, 9, 16, 19, 24, 28)

87. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Blouse manufacturer changing blouse style. Would make up specified quantity of this type. All branch outlets not satisfied with last year's blouse. Our branch made contact with local manufacturer. Placed an order for six-month supply.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Responded to telephone salesmanship to place order with branch pushing first blouse. Ordered over phone without consulting records. Result over-ordered.

WHAT WAS THE OUTCOME?

Wrote asking that the telephone order and the purchase order issued as a result be cancelled. Awaiting results. Learned to take under consideration and review records of sales and purchase orders placed with other supplier before approving phone sales pitch.

A - 3, B - 1, C - 2. (1, 7, 8, 10, 13, 16, 17, 19, 21, 27)

88. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Central purchasing of a multiplant company had a special contract with jobber "A" on a commodity.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer at plant "C" wished to continue business with jobber in plant "C" area, and disclosed to jobber "B" that there was a special deal inviting jobber to equal the arrangement.

WHAT WAS THE OUTCOME?

Jobber at plant "C" complained to material manufacturer who withdrew the product from jobber "A." Thus upsetting the price advantage in all plants

COST: $50,000 year to company.
Loss of job to buyer involved.

A - 2, B - 1, C - 3. (1, 3, 5, 9, 13, 14, 15, 16, 21, 24, 25, 26, 28)

89. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We have about 20 operating plants scattered over a six-state area, each being relatively small and many being located in small communities. The furnishing of office supplies in such a set-up becomes not only costly but stockouts are frequent, special requests are common, personnel turnover creates problems, local suppliers are scarce in some areas.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

She attempted to establish a centralized supplier for all forms and a centralized stock room for most office supplies shipping these items to the plants as requested. It became so unwieldy and costly to stock and ship the multitude of materials involved (from paper clips to stationery, etc.) that we had to eliminate it and revert to a decentralized setup, with the central office only furnishing standard forms used throughout the company.

WHAT WAS THE OUTCOME?

We had to revert to a decentralized operation for the most part, losing all the facilities set up to handle the centralized system.

A - 2, B - 1, C - 3. (1, 2, 3, 10, 16, 17, 26)

90. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

After the initial purchase, and with all incoming invoices with price equalization discounts, these are to be noted by buyer and taken when paid.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer did not follow through, not only to spot check nor to estimate annual saving and many earned discounts were being missed.

WHAT WAS THE OUTCOME?

A system for checking was set up, however, by an individual other than original buyer--this buyer lost control and paid excessive prices.

A - 2, B - 3, C - 1. (1, 6, 16, 19)

91. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The company has a light bulb contract on corporate purchases. One of the local plant foreman placed an order by phone with a local distributor and then sent a requisition to purchasing confirming his action.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer approved the requisition without question, even though the prices involved substantially higher than contract prices and the foreman's actions bypassed him.

WHAT WAS THE OUTCOME?

Both the foreman and the buyer were called to task by the corporate office and the foreman and the supplier cautioned in writing that the foreman had no authority to commit the corporation and that future orders entered in this manner would not be honored.

A - 3, B - 1, C - 3. (1, 3, 7, 11, 15, 16, 21)

92. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Interruptions of supply are serious in today's industrial production world. This department has a special strike warning procedure so that 90 days before a contract termination at a supplier, the situation is reviewed by the buyer, alternate plans made and the risk assessed.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

In this case, the buyer received the 90 day notice but did not connect the vendor's name with one of

his large contracts. The notice was essentially overlooked. It was a sole source item.

WHAT WAS THE OUTCOME?

The strike did take place. A second source was quickly started at premium cost and parts were obtained by air from overseas. A costly outcome--no real production stoppage.

A - 2, B - 3, C - 3. (1, 2, 6, 13, 16, 19, 21, 24)

93. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We purchase several hundred types of fasteners in quantities varying from small to substantial. Desired to set up annual purchase agreement with one or more suppliers. Result: stocking program, lower inventory, reduced expediting, etc. Supplier benefit assured business, flexible production, etc.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Failure to completely research sources and present the complete picture. Did not sell potential suppliers on advantages. No businesslike approach.

WHAT WAS THE OUTCOME?

Did not conclude agreement. Assigned project to new buyer to reopen and hopefully conclude. Present buyer requires additional training in handling annual agreements. Still does not look at the big picture but treats each item individually.

A - 3, B - 3, C - 3. (1, 7, 9, 14, 16, 21, 27)

94. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

This person was responsible for ordering in raw materials (rail cars) and scheduling the cars to keep pace with our production requirements as they fluctuate. This involves some 75 to 100 rail carloads per month plus truckload shipments. This requires accurate forecast and awareness to prevent overshipments or stock outs.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He failed to get up-to-date information from the production control department. He didn't have a system of coordinating this information to determine how much material to bring into the plant. His orders were based on past usage, instead of future requirements. He tried to cover his inability by rush shipments or excessive inventories. Production was being interrupted every week due to material shortages. Demurrage charges on excessive carload shipments ran up to $5,000 to $6,000 per month.

WHAT WAS THE OUTCOME?

The man was subsequently let go. It was learned later on that he tried to schedule material in a more or less "seat of the pants" way. The new man set up a relative simple system using the bill of materials and production schedule and regular follow-up and has decreased demurrage to a minimum and stocks are seldom out.

A - 2, B - 2, C - 2. (1, 2, 3, 6, 7, 8, 10, 16, 19)

95. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Purchasing agent (my superior at the time) would allow only minimal business with one supplier. Stated that supplier was not capable of producing quality merchandise.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

Purchasing agent later became financially involved with supplier. Buyer was instructed to divert almost all business to supplier who previously got only minimal orders.

WHAT WAS THE OUTCOME?

Company lost the faith of two previous suppliers. As a result they were no longer interested in presenting new ideas and products which they felt would automatically go to the favored supplier.

Cost to buying company went up since there was no longer any competition.

A - 1, B - 1, C - 2. (1, 4, 5, 9, 15, 17, 21, 24, 27, 28)

96. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

One of our buyers received a requisition for material available only in a city two thousand miles away. This came at a time when we were in a big money-saving program. Instead of immediately writing for a price and delivery date the buyer did nothing for five weeks, then used the expensive telephone to place the order. Even with the telephone placement delivery was late.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Ineffective because of failure to make a decision the first time he looked at the requisition.

WHAT WAS THE OUTCOME?

The eventual outcome--termination due to inability to make decisions.

A - 2, B - 2, C - 1. (1, 6, 7, 16, 21, 26)

97. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An air conditioning unit required installation on the top of an existing building which had no internal passages suitable for moving the equipment. It was necessary to lift externally and lower into place from overhead.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The person responsible for the buying activity was confronted at the last minute by the contractor who insisted that his standard form be executed and this was done even though the person lacked authority to do so.

WHAT WAS THE OUTCOME?

An accident occurred wherein considerable damage was caused to property of both parties and fault was difficult to assign. Two documents had been executed and extended legal negotiations ensued because both parties assumed their standard insurance coverage would protect them and due to the conflicting contracts neither were completely protected.

A - 2, B - 3, C - 1. (1, 2, 9, 11, 15, 16, 17, 18, 21, 27)

98. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A major supplier of a critical component was experiencing labor difficulties leading up to contract negotiations. The company consequently went on strike.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He failed to alert his superiors in advance that the supplier anticipated a strike.

WHAT WAS THE OUTCOME?

The supplier went on strike and we ran out of parts for several weeks. If we had known sooner we could have ordered enough parts to carry us through a 3-6 month period.

A - 2, B - 2, C - 1. (1, 3, 6, 7, 8, 10, 15, 16, 24)

99. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

New procedures and personnel were assigned to maintain purchase history records.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

1. Purchasing director assigned supervision of purchase history record to a senior buyer.
2. Senior buyer due to work load did not audit records on a daily basis.
3. Senior buyer assumed all records to be O.K.

WHAT WAS THE OUTCOME?

Director of purchases made a spot check and found new procedures were not being complied with--many extra hours required to correct records.

A - 1, B - 1, C - 3. (1, 3, 6, 15, 16, 19)

100. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

We were running into continuing shortages and delayed shipments.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

A clerk insisted that one buyer in particular was ignoring established procedure and was issuing P.O.'s with A.S.A.P. for the shipping date instead of an actual date and indicating routings as "best way."

WHAT WAS THE OUTCOME?

Obviously A.S.A.P. means nothing and "best way" means little more. He was directed to indicate routings established by our traffic department from all locations from which we purchase and specify a specific shipping date allowing for the required lead time in each instance possible.

A - 3, B - 3, C - 1. (1, 2, 3, 6, 10, 15, 16, 19, 24)

101. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Purchasing manager received a requisition for a 20 HP motor which he ordered and shipment was completed.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Purchasing manager did not check surplus list before ordering. If he had he would have learned that a motor meeting all the requirements was available at no additional cost.

WHAT WAS THE OUTCOME?

Unnecessary expenditure.

A - X, B - X, C - X. (1, 10, 19, 20)

102. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer is given the assignment to procure a system worth over a million dollars. Team evaluations are conducted on all submitted proposals with the team opinion resulting in supplier "B" being selected. Fact-finding and negotiations progress smoothly to a mutually satisfactory conclusion. The initial contract was written and executed by both parties. The responsible buyer was sent TDY to the supplier's facility to administer the contract.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The responsible buyer was given almost complete authority to administer the subject in the most

effective manner. Verbal instructions were given to the supplier in response to many problem areas arising. Contractual amendments were not issued to assign responsibility for any out-of-scope activities until a much later date.

WHAT WAS THE OUTCOME?

A great deal of confusion insued at the negotiation of the subject amendments with the supplier feeling he was not given due consideration, and the contractor feeling he paid too much for the added effort.

A - 2, B - 3, C - 1. (1, 6, 9, 11, 14, 15, 16, 27, 28)

103. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Was in hospital 30 days, blood infection, private phone--called plant daily.

WHAD DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Substitute did not exact where to purchase certain items.

WHAT WAS THE OUTCOME?

Over paid $2,620.

A - 2, B - 1, C - 1. (1, 4, 15, 19, 21, 24)

104. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A new value program was being instituted--eight weeks to get all parts purchased or manufactured and assemble 24 units for customers' pilot machine.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

An item was placed at the lowest price and promised delivery. No former buyer-vendor relationship relative to this choice of vendors only his credit rating was checked. There was no plant tour made, there was not time to check vendor's other customers for delivery and quality performance. Regular vendors were by-passed in favor of low price and delivery promise.

WHAT WAS THE OUTCOME?

The vendor got parts in three times before delivery date deadline, but none could pass quality control inspection. Finally vendor gave up--parts were returned for credit. Part was then placed at one of the regular vendors. Vendors put forth great effort, but deadline was missed. Delivery of pilot was three weeks late. Customers very unhappy. Thought for future buying practice--the lowest price and delivery is not always the best buy, quality is also important.

A - 2, B - 1, C - 1. (1, 4, 9, 12, 13, 16, 18, 21, 24, 27, 28)

105. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The corporate headquarters of a particular plant contracted at an extremely confidential and under-schedule price, large quantities of a particular commodity. The local plant buyer resented this usurption of his power and tried to get the same deal locally.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

This buyer, in an unethical move, told the local supplier the price and told the supplier that if he met the low price, he could have some of the business. Unknown to the buyer the supplier was representing the same major producer. Naturally, when the local supplier asked for price support the roof fell in.

WHAT WAS THE OUTCOME?

The major producer rescinded his "special" deal for breach of confidence. The buyer was disciplined. The local buyer was unwelcome at the plant and lost much other business.

A - 3, B - 2, C - 3. (1, 5, 15, 21, 24, 28)

106. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The program manager tried to force a procurement on a sole basis to a previous supplier who had produced a product which did not meet specifications. The procurement officer objected to the sole source.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The procurement officer did not realize how powerful the program manager was and what power he had.

WHAT WAS THE OUTCOME?

The procurement officer was removed from the program and became very discouraged by this action on the part of his procurement managers.

A - 1, B - 1, C - 1. (3, 4, 15, 16, 18, 21, 26)

107. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The purchasing agent was having excessive medical expenses and was unable to secure an increase in salary. He was approached by a vendor with an attractive offer to falsify invoices for a percentage of the over-charge.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He allowed the crooked vendor to justify to him what he was doing as acceptable under the circumstances and proceeded to falsify receiving records and pass invoices that had been inflated.

WHAT WAS THE OUTCOME?

The company that employed him was harmed materially by the cash flow in excess of normal operational expenses.

A - 2, B - 3, C - 1. (1, 5, 11, 16, 19)

108. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A private label product packed by an outside manufacturer required considerable coordination and follow up to make sure all materials arrived when needed to achieve the very tight production schedule required by marketing demands.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer didn't take advantage of the services of the follow-up group established to perform this function. He felt it would be easier to handle this function himself rather than communicate the

highly involved background necessary to properly handle the follow up phase.

WHAT WAS THE OUTCOME?

Considerable additional expense was involved in air freighting materials, long distance phone calls, and extra distribution costs to ship L/C/L rather than C/L. Some sales were irretrievably lost.

A - 2, B - 3, C - 2. (1, 2, 3, 6, 9, 15, 16, 26)

109. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Some suppliers of large process equipment in the petrochemical industry ask for and receive progress payments from their customers as the equipment is being manufactured. The policy of the buying group involved was not to make such payments but to pay in full after shipment and acceptance.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

The buyer involved in making a purchase of this equipment, which amounted to over $100,000, attempted to exclude progress payments from the transaction by showing the purchase price on the face of the order along with the phrase "No conditions not set out in the order would apply."

WHAT WAS THE OUTCOME?

The purchase order specified the equipment "in accordance with attached specification sheet." The specification sheet had been prepared by the engineering department after the supplier's quotation had been received. It incorporated by reference the supplier's quotation letter which had specifically spelled out progress payments as a condition of sale.

The buyer did not read the detail of all the documents included in his order and, therefore, issued the order as described in the preceding paragraph. He unwittingly provided for the progress payments when he specifically attempted to exclude them.

A - 3, B - 3, C - 1. (11, 16, 22)

110. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An almost identical situation as described in the "EFFECTIVE INCIDENT," except that the "erratic" component had a limited shelf-life of not more than one year, although in regular usage would last in excess of five years.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Similar arrangements to those in the "EFFECTIVE INCIDENT" were made, to overcome occasional requirement peaks (see Effective Incident 157).

WHAT WAS THE OUTCOME?

A peak did not occur for a whole year, and at the end of the year, in accordance with the terms agreed upon, the distributor was permitted to ship and bill his inventory, prior to restocking from the component manufacturer. Receiving inspection rejected the whole lot, since the components had become marginal during their year's storage on the distributor's shelf. A stock-out occurred about three weeks later, and production was held up until new components could be obtained.

P.S. We had to pay the distributor for the faulty merchandise, and had no recourse in any way.

A - 2, B - 3, C - 2. (1, 10, 17, 18)

111. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyers are charged with responsibility for follow up of new part tool progress, sample submission, sample approval (through quality assurance) and initial pre-production requirements.

New 1973 model part placed last fall for promised delivery of pre-production requirements by mid-February (following sample approval). Predicated on promise; plant planned facility rearrangement and machined 1972 model parts ahead to provide time for rearrangement and debugging of 1973 model facility.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Nothing that could be called planning. Accepted promises without attention to detail that could have tipped off impending failure. Assured management situation was under control without grounds to support position.

WHAT WAS THE OUTCOME?

Delivery promise not kept. Overtime to machine parts ahead spent needlessly. Debugging time which was provided will be lost and facility will virtually be put into production without tryout. Loss of money and questionable quality of components result from inadequate follow up.

A - 2, B - 3, C - 2. (1, 6, 9, 15, 16, 18, 21, 26, 27)

112. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyer received a requisition for a specific item from the manufacturing plant and proceeded to purchase the item from the recommended supplier without understanding its function and without considering alternatives.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer proceeded blindly without using his knowledge, experience and initiative.

WHAT WAS THE OUTCOME?

A purchase was made at a higher cost than was necessary to fulfill the desired objective.

A - 2, B - 1, C - 1. (1, 13, 16, 17, 21, 23, 26)

113. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer was pressed for time in placing orders because of new parts being added, and because of pressure from vendors to give larger orders to their company.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer rather than planning carefully to cover needs, and to order parts on a systematic basis, would give orders over the phone telling the vendor

he would confirm it later. Then when the requisition cleared his desk it would be assigned a different order number or might even be assigned to another vendor. Duplicated shipments arrived in many cases, and later vendors would refuse to ship emergency requirements without a written order in their possession. This complicated matters to where his effectiveness as a buyer was reduced beyond practical limits. Buyer was demoted back to expediter where he does a creditable job.

WHAT WAS THE OUTCOME?

See above.

A - 1, B - 1, C - 1. (6, 10, 16, 19, 21, 26, 27, 28)

114. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

At a multi-plant company, production control at one location put a "hold" on an order for a purchased item which was phasing out, and took no action for six months. Then they issued a cancellation. The supplier advised the buyer that the parts were already made according to the original schedule. The buyer advised the supplier to junk the parts and authorized payments to the supplier at original price less scrap metal value.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He omitted checking a central record recently originated, which would have indicated to him that another plant used a very similar item and could probably have used the ones on order.

WHAT WAS THE OUTCOME?

The company spent several thousand dollars needlessly.

A - 3, B - 3, C - 3. (1, 3, 6, 16, 17, 19)

115. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A data processing form was printed incorrectly.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The purchasing agent did not follow the proper procedure in having information systems department approve the copy prior to printing.

WHAT WAS THE OUTCOME?

A lengthy program was rewritten in a few days (normal time is two weeks) so that there would be no delay in publishing the report. An attempt is being made to improve the working relations with this department.

A - 1, B - 1, C - 1. (3, 15, 16, 18)

116. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

All production buyers were given complete listings of their carryover parts for the new model year with instructions to pull their buy record cards for review with their supervisor for approval of order extension or direction to market test.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

One buyer was provided approval to extend several of his orders and justification was noted on the buy record card, however, the buyer failed to extend the orders and the buy record cards were inadvertently filed.

WHAT WAS THE OUTCOME?

The using plant continued to release and the supplier continued to ship against an expired contract, however, a recent outside audit revealed the descrepancy, thereby making the buyer appear inefficient. Since no problems occurred, the question of a valid contract did not present itself and the situation was subsequently rectified.

A - 2, B - 3, C - 2. (10, 16, 19)

117. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Buyers were disturbed by the lengthy time interval involved in obtaining target price estimates on die models and tooling aids. They could not consummate pricing negotiations with suppliers and had to maintain open procurement requisition files.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

One buyer, lacking patience, decided it was foolish to maintain open procurement requisition files which

could not be processed without target prices estimates; therefore, he submitted supplier quotations along with request for target price estimates to purchase analyst.

WHAT WAS THE OUTCOME?

Purchase analyst's judgment on estimates were influenced by knowledge of supplier quoted pricing. Estimates established in this manner became ineffective as a tool to negotiate equitable purchase order pricing with suppliers.

A - 2, B - 3, C - X. (3, 14, 15, 16, 25, 26)

118. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A buyer received an approved procurement document for parts required for the production line.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He misplaced the document and no action was taken until a critical shortage occurred on the production line.

WHAT WAS THE OUTCOME?

The company incurred added expense due to long distance calls, increased shipping charges and also narrowly avoided a costly production line breakdown.

A - 2, B - 2, C - 2. (1, 10, 19)

119. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

An order had been placed with a supplier for an order of raw material due in two weeks.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The material was rejected before it was shipped resulting in an obvious delay. Our option was a more expensive material and at first glance a better material for a substitute.

WHAT WAS THE OUTCOME?

The buyer accepted this substitution without advice from the proper authority. As it turned out the

material was acceptable but could have caused a serious problem.

A - 2, B - X, C - X. (1, 15, 16, 23)

120. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Purchasing renewed (its) request (to a department) to review office forms and reorder. Assistant purchasing agent was given this assignment.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

A supposed review was made (non-purchasing). Individual phoned verbal order to local printing company without approval from purchasing and had forms printed. First mistake, forms are standard with several companies. Ordered several hundred pads of (1) one form that was no longer used. Approximately 3-4 years supply of two other forms.

WHAT WAS THE OUTCOME?

One (1) year later we still have overstock on the two forms and are using the one that was discontinued for scratch pads. Employee was released at the first sign of work slowdown.

A - 2, B - 1, C - 2. (1, 3, 7, 10, 11, 15, 16, 17, 21, 22)

121. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Due to lack of preplanning (by other departments), demands are made without ample time to properly procure materials.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer is forced into a crash buying situation.

WHAT WAS THE OUTCOME?

A series of costly events take place. In most cases long distance calls are required. Special handling charges are applied. Air freight routing is necessary to assure on time delivery. A man's time is consumed in making pick up when material arrives.

A - 2, B - 3, C - 2. (1, 2, 3, 4, 7, 10, 13, 14, 16, 17, 18, 21, 22, 23, 27)

122. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Purchases from a supplier without the bid process. Merely an order placer.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

See above.

WHAT WAS THE OUTCOME?

See above.

A - X, B - X, C - X. (1, 4, 13, 14, 16, 17, 18, 21, 22, 23, 25, 27)

123. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Due to what was considered poor quality and delivery of a sheet metal product from an established supplier, the materials manager decided to develop a new supplier.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He personally visited a selected sheet metal shop and upon his return wrote a letter to all concerned that we have a new supplier for this product. In his letter he requested purchasing to place the next few orders with this new source. This was done without the receipt of any formal quotations or samples and no opportunity given to purchasing or engineering to investigate the justification for going to this vendor.

WHAT WAS THE OUTCOME?

It was found from the first delivered units that the new shop was using measurements incorrectly calculated, based on information given them. As a result they were able to claim that it was the customer's fault for not providing proper drawings and they have to be paid for their time and material. This turned out to be much more than what was normally being paid. When questioned, the shop stated that they could not make this product for the price discussed with the materials manager. Purchasing was instructed to go back to the original supplier.

A - 2, B - 2, C - 2. (1, 3, 4, 14, 16, 18, 21, 22)

124. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

General performance of a group of suppliers was not considered to be satisfactory. They were in a healthy industry and yet their performance had degenerated to a point that it was considered to be entirely unsatisfactory. The buyer's assignment was to either upgrade the current suppliers or find new ones.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer chose to immediately disregard the current suppliers and go out looking for new suppliers. These suppliers were untried, and the buyer did not request a sample of their work, a list of satisfied users, nor did he visit the man's facilities. At the same time, current suppliers were becoming less effective on every order.

WHAT WAS THE OUTCOME?

The result of the entire thing was that quality and performance degenerated to a point that the company lost business, the new suppliers were never able to become effective and the few jobs that they did perform were done poorly because of lack of direction and clarity. It was a typical example of lack of planning as well as a lack of interest to understand the problem to prioritize the wants and goals to be accomplished and to consult and act with others.

A - 2, B - 2, C - 2. (1, 9, 14, 16, 18, 21, 24, 26, 27)

125. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The buyer received a requisition for a part that was delaying an aircraft which made it a critical requirement. He received several calls within a matter of a few minutes asking the status of his purchase order.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer checked his records on the part number and found that he had purchased the last requirement over a year previous to this incident. He had requested quotations from three sources and had

selected a source based on price and delivery. He assumed that the price and delivery would be the same and entered an expedite order with the company without quotations from them or the other sources.

WHAT WAS THE OUTCOME?

The company received the order and with the extensive use of overtime delivered the part along with an invoice for a price representing an increase of over 100 percent. Later investigation revealed that the parts were available from the other sources at their previous quoted prices which were much less than what had been paid.

A - 2, B - 3, C - 2. (1, 3, 13, 16, 21)

126. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our plant was asked to run a product that was produced at another one of our plants. We could do this but the packaging was produced at a vendors plant several thousand miles away. We would have to get the packaging produced locally and fast. The cutting dies were made to run on a Babst machine and we had a local vendor with a Babst machine.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Without knowing all the specifications of the packaging a decision was made to buy the packaging locally. A production schedule was set and a delivery promise was made to the customer. When the die arrived at the local vendors it was in such bad shape it had to be repaired. When the specifications arrived the paper needed was fully bleached Kraft which is difficult to obtain. The print needed was three color, more time consuming than two or one color.

WHAT WAS THE OUTCOME?

The order was late because of the die repair and the delay in getting paper. Our production department was mad because they had to change a production schedule due to late delivery. Our customer was very upset because they did not get delivery when we promised. We may have lost a big account due to the lack of thoroughness by the purchasing agent.

A - 2, B - 2, C - 3. (1, 3, 6, 9, 16, 17, 22, 27)

127. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Product manager and division general manager visited source of supply on West Coast. Agreed to terms of blanket order with vendor. Returned to office and told purchasing to write order for $400,000. Financial strength of vendor in doubt, warranty provisions, cancellation terms and penalties, discount rates, freight charges, invoice payments, and many other details normally handled by purchasing were not included.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Buyer wrote order just as given to him by the product manager, fearing to question any part because the general manager was involved. This order, as written, was "full of holes" and protected neither the buyer nor the seller.

WHAT WAS THE OUTCOME?

Because of value of order, approval was needed from corporate staff. Staff refused to approve, and wrote three pages of reasons. Buyer then followed staff's suggestions, had the vendor in, and negotiated a complete contract, including an additional ten percent discount.

A - 2, B - 2, C - 1. (4, 9, 10, 11, 13, 15, 16, 21, 26)

128. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Some of our electrical components are manufactured to our specifications or have been obsoleted by the manufacturer but are still available if you can wait 12 weeks. One buyer decided to find an equivalent and ordered this equivalent capacitor.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer purchased 100 pieces of an equivalent electrical component which had the same physical size and characteristics, but the engineering department refused to authorize it as a replacement for the original capacitor. Therefore we had to return the material and pay a restocking charge.

WHAT WAS THE OUTCOME?

The error was not caught until our lead-time (12 weeks) was overdue and we had to shut down assembly on one of our control boards which generated a 12 week delay in shipping 5 of our units.

Had the buyer received authorization before purchasing the material, we would not have shut down the assembly of the control board and we would not have had to return the material and pay a restock charge.

A - 2, B - 2, C - 1. (3, 15, 16, 17, 18, 26)

129. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Lack of communication between departments.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Supplier requested print deviation. Buyer thought he could handle by himself without consulting engineering department and get their OK to ship stud oversize by .010.

WHAT WAS THE OUTCOME?

Clip did not fit part and cost company $1,500 in rework charges till problem was corrected.

A - 1, B - 1, C - 1. (1, 3, 15, 16, 17, 18, 20, 22, 23, 26)

130. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A sales representative approached the buyer with a "value analysis" idea in offering a substitute product for one which had been satisfactorily used for some time. The salesman claimed equivalent or better quality at a lower price.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Told the salesman that our present product was performing satisfactorily and there was no use disturbing the situation.

WHAT WAS THE OUTCOME?

Salesman asked for permission to see the buyer's superior to which the buyer grudgingly agreed. Joint meeting of all 3 actually resulted in agreement to have the operators try the proposed product. Results have proven the salesman'e claims were correct wherein the operators preferred the new product regardless of cost, but with the actual cost savings everyone was happy, except the buyer who wound up with a "red face." While we do not advocate product substitution just for the sake of change, we do feel that every valid offering should be studied.

A - 1, B - 1, C - 1. (16, 17, 18, 23, 26, 27)

131. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

In an effort to reduce material and container costs, a buyer using value analysis located an alternate container that would provide the company substantial annual savings. The new container was fibre board with special coatings and innerlinings and was designed to replace a steel container for use outside during inclement weather.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

The buyer did not do his home work. He did not set up in-plant, intransit and field tests to prove suitability of the container; nor did he present specifications of the container to the sales department of resisting change.

WHAT WAS THE OUTCOME?

Interdepartment cooperation and goodwill deteriorated further between the purchasing and sales departments. The sales department refused to test the containers and in turn the company lost potential profits through lower costs.

A - 2, B - 2, C - 2. (1, 3, 16, 17, 18, 22, 26)

132. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Our customer specified that fabricated steel parts be quoted with 15 mil PVC for corrosion resistance. Our vendor performing the coating operation convinced our buyer that a 10 mil epoxy coating would not only be less expensive but also provide better protection. We still have no reason to doubt this.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Our buyer authorized the change in specifications without securing approval from our customer.

WHAT WAS THE OUTCOME?

Our customer failed to appreciate the merits of the epoxy and rejected the job. We lost a considerable sum in stripping and recoating per the original specifications.

A - 2, B - 1, C - 1. (1, 9, 15, 16, 18, 20, 22, 27)

133. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Cutting tools of off the shelf nature were purchased in large quantities by a manufacturer of automotive components. Several industrial supply companies were competing for all or part of this business. The buyer of these items had been led to believe that he would be violating fair trade laws if he purchased these standard tools at a discount. He was also under the impression that service or delivery would suffer if discounts were obtained. This was instilled in him by the suppliers who were sharing the business at no discount from list price.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer was in fact lazy and did not want to go to the trouble to invite competition and the additional work this would entail. He used the excuse that competitive bids were no value because of the false belief in fair trade laws, in this particular line of tools. Had he gone to the trouble to find out about the legality, he would not have been able to use this excuse.

WHAT WAS THE OUTCOME?

Industrial supply companies who were not sharing this business and could not bid contacted the buyer's superior and requested permission to bid on these standard line of tools. An investigation by the buyer's superior resulted in opening the channels for competitive bidding on comparable quality lines of tools and savings of 12 percent overall were obtained. The buyer was placed under close observation and was found to be doing an ineffective job

on other items also. He was given six months to improve, however did not show the required improvement and was released from his buying duties and placed on an expediting job where he seemed to do much better for the department.

A - 1, B - 1, C - 3. (1, 4, 11, 13, 17, 21, 26, 27)

134. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The School for the Blind requested that a climber be purchased for the age 4 to 6 years olds' playground. Their unstated purpose for this purchase was to teach small blind children to negotiate stairways. Therefore they specified a unit with 2 sets of stairs so that they would not have to have children moving up and down on the same set of stairs at the same time.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

An alternate model with one set of stairs was purchased after reviewing the specifications with the business administrator for the agency. It was later learned that he did not review the specifications with the personnel using the equipment. When the school discovered that the climber had only one stairway they requested that the equipment be returned. This request was denied.

WHAT WAS THE OUTCOME?

The school has a piece of equipment which is not totally conducive to their needs. This is a direct result of a breakdown in the communication channel between the end user and the buyer.

A - X, B - X, C - X. (3, 15, 22)

135. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The agency requested textiles of a specified brand and color and stated no substitute.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer assumed, but did not confirm, that the agency wanted no substitute on color only and purchased an alternate brand.

WHAT WAS THE OUTCOME?

When the material was received it did not match the material on hand and therefore could not be used for the intended use. It was accepted, however, for use at a future time.

A - X, B - X, C - X. (9, 16, 18, 22, 23)

136. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A local hospital recently went to a low bid purchasing policy after many years of quality first purchasing. The incident involved myself and a laboratory purchaser at the hospital whose duty it is to purchase only laboratory supplies.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

The hospital laboratory buyer caught up in the new policy asked for bids on 7 dram snap cap vials of a standard type. The low bid received was under $3.00 per gross from a small firm specializing in glassware (in my opinion of questionable quality). Second bid was a large distributor who submitted a bid of $5.00 per gross. This bid was submitted to me at the same time. The hospital buyer purchased from the low bidder while I was able to negotiate a fair price of $3.50 per gross from the distributor's item which was of excellent quality. The hospital paid under $3.00 but the quality of material and manufacturing technique were of such poor quality that the vials were unusable for the purpose intended. They were returned and purchase of a second bid at a new negotiated price of $4.50 per gross was made.

WHAT WAS THE OUTCOME?

We both had the same quality of merchandise from the same source but at different prices. The reason for the price being direct antagonism of the Sales Representative of the large distributor over the refusal of the original bid for an item which had been purchased from him for nearly 4 years previously and then the subsequent negotiation of price with his firm unknown to him. The sales representative flatly refused to give the hospital the lower price.

A - 2, B - 2, C - 1. (1, 4, 14, 18, 20, 28)

137. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Acute shortage of fasteners. Sources were manufacturers. Constant threat of assembly line stoppage.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Utilized the services of a distributor to help locate items without regard to specifications.

WHAT WAS THE OUTCOME?

Fasteners were used in product endangering life to user. Recall of product necessary.

A - 2, B - 2, C - 1. (1, 10, 11, 16, 18, 20, 21, 22)

138. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Failed to handle requisition promptly.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He allowed lack of knowledge of a source of supply to keep him from placing the order. He kept laying the requisition aside and going ahead with other things.

WHAT WAS THE OUTCOME?

When finally the order was placed it was necessary to place a verbal order and ship via air express.

Our monthly report now lists in brief detail all purchase requisitions over 30 days old and the status of each.

A - 2, B - 1, C - 1. (1, 2, 6, 16, 19, 21, 26)

139. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

A high volume, comparatively expensive part was set up on a delivery per month basis for one year.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

No clause allowing variation of the delivery schedule was negotiated in to the purchase order.

In addition, the schedule was not checked as production varied.

WHAT WAS THE OUTCOME?

A tremendous inventory of parts requiring special handling resulted. The vendor refused to take back parts at no cost due to their special nature. Even though the vendor could have refused entirely, he did take back a great number of parts at a less than cost figure. The overall cost of these parts to the company was very high.

A - 1, B - 1, C - 1. (1, 6, 7, 10, 14, 19, 20, 27)

140. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The Home Office Plant used a supplier for screws for many years, and when the business was moved 1,000 miles away they continued to purchase from him. When he was local to the plant they could drive over and get parts in a hurry, and this was done many times because he never met his delivery dates.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

We continued to buy from him for ten years even though his quality got gradually worse and his delivery was never on time. There were other good sources available.

WHAT WAS THE OUTCOME?

Recently he was two months behind in delivery and gave us information that a shipment was enroute when it was not actually shipped. He finally caused us to close down our assembly lines for a period of time. We are now buying these parts elsewhere.

A - 1, B - 2, C - 2. (1, 2, 18, 21, 27)

141. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Using department requested a change of suppliers of leased cars.

WHAT DID THE PERSON DO THAT MADE THIS AN <u>INEFFECTIVE</u> INCIDENT?

Person in buying capacity went along with using department and changed a certain number of cars over to the using department's recommended supplier.

WHAT WAS THE OUTCOME?

Service and adjustments are not nearly handled as well as the long established supplier.

A - 2, B - 2, C - 1. (1, 13, 15, 18, 21)

142. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Pressure from multi-wall bag suppliers to increase prices 4-5 percent despite a weak market and over supply conditions.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

He called all suppliers and asked what they could do about the price increase for additional business. However, when they called back and said, "Nothing," he accepted their statement and did not attempt to negotiate.

WHAT WAS THE OUTCOME?

His direct superior had to step in and get involved with the negotiation. Subsequently prices were actually negotiated down to a lower level (overall) than before the attempted increase.

A - 3, B - 3, C - 2. (1, 13, 14, 15, 21, 26, 27)

143. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

The person is in charge of buying paper stocks for the Printing Department.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

Over a period of time he has become attached (not involved) with one salesman. And does most of his order placing in this way.

WHAT WAS THE OUTCOME?

Nothing. The purchaser is not sufficiently interested in his job. He does the work of a clerk and

is one of those persons not bad enough to fire and not good enough to promote.

A - 3, B - 2, C - 3. (1, 4, 13, 14, 16, 21, 26)

144. CIRCUMSTANCES LEADING UP TO THE INCIDENT.

Manufacturing engineering requisitioned a major machine tool ($200,000) after they unilaterally decided who to buy from and what terms and price.

WHAT DID THE PERSON DO THAT MADE THIS AN INEFFECTIVE INCIDENT?

The buyer merely placed the order in a clerical fashion without knowing what he was buying. He abdicated his procurement responsibility.

WHAT WAS THE OUTCOME?

Without competitive pressures any chance for negotiated savings was bound by highly unfavorable payment terms and other contractual conditions.

A - 3, B - 2, C - 3. (1, 4, 7, 10, 13, 14, 15, 16, 17, 18, 21, 22, 23, 25, 26)

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