

## SMART PROCUREMENT GROUP, THE MAIN PILLAR FOR SUCCESSFUL CONSORTIUMS

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**Abstract:** Procurement Group (PG) is arguably the most visible committee within any consortium due to the importance of the expected outcome from this group. This committee faces number of influences, which create challenges, disputes and problems during PG tasks. The failure of controlling these influences might result in either buying worst solution, delay the procurement or at worst case scenario a complete failure. This paper suggests number of solutions to deal with these common issues.

### 1. INTRODUCTION

The dynamic environment inside and around the PG impose a lot of challenges, disputes and usual debatable issues which may lead to bad results like non-selection of best available technical solution, non-selection of best optimized offer or at worst, huge delay of the overall project completion.

Building a successful PG in Submarine Cable business is challenging task, Nevertheless, The steps towards smarter PG starts with making the environment around such group healthy and balanced. The pillars of success in PG usually centred around three critical areas as follow

- I. Decision Making
- II. Projects Management {scope, cost, time, quality}
- III. Selection process {Best solution, Best Supplier}

The Key point towards achievement is to deal with a number of external and internal influences may affect badly the pillars of success. These influences may create destructive challenges, disputes, undesirable debates among members and then lead to unfavourable outcome.

The below table spotlights on influences factors and their relationship with the pillars of success

PG Pillars of Success	Influences Factor
I. Decision Making	1. Organization Design 2. Procurement Strategy 3. Process Management
II. Project management	4. Emotional Connection 5. Ethical Acts 6. Chairperson character
III. Selection process	7. Backdoor Interference 8. Communication

Each influence factor will be addressed separately explaining the nature of the cause, the impacts on the different critical areas and how smart PG is supposed to deal with it.

## 2. INFLUENCES FACTORS

### 2.1. ORGANIZATION DESIGN

Most of consortia and new comers in the business of submarine cable systems just follow classical structure that its terms of reference usually addressed under C&MA (Construction & Maintenance Agreement).

Consortia in general and PG in specific shall pay special attention to its Organization Design. The successful plans always depend on allocating the right people in the right place and creating the functions that suits the objectives, mission and support the target business.

Improper structure planning in terms of functions and resources always lead to great impact on Decision-making, Project Tringle and Selection Process of most optimized solution

The good organization structure/design shall address the other basic aspects like the strategy, environment (multinational owners, regulations, culture...etc), level of authority, innovation, incentive, Continuity & Risk Assessment

Simple comparison of classical PG structure & Smart PG structure

Functions	Classical PG structure	Smart PG structure
PG Chairmanship	✓	✓
Technical Working Group	✓	✓

Marine Working Group	✓	✓
Commercial Working Group	✓	✓
Cable Station Coordinator	✓	✓
Infrastructure Readiness Working Group	×	✓
Permitting Working Group	×	✓
Commissioning Working Group	×	✓
Commercial & Finance Auditing Team	×	✓
PG Office (Minutes, Documentation and other logistics)	×	✓

#### Challenges:

Classical structure fails on four major areas. The smart PG structure shall not unreasonably consider the cost during the structure development since saving does not mean always success and the outcome with focusing on savings alone may cause short and/or long-term losses.

#### a. Manpower allocation and Lack of Expertise

Some Consortia tend to share the PG functions on behalf of experience, which indeed would not help PG to efficiently achieve its objective. Lack of expertise<sup>[2]</sup> is another issue, though this subject has been recognized as an issue in the market, and external outsourcing or consultant could be a good solution. Unfortunately, due to little cost saving purpose, great number of consortia still depend on internal limited skills resources in multi millions project. This approach might result in giving up rights of owners in

many occasions but might lead to implementation of solution with many deficiencies.

**b. Innovation**

The rapid Technology development and innovation in submarine cable business requires an equal reaction from the purchaser’s side. PG shall be able to have its new stamp in terms of process, long-term plans considering system upgrade, strategies, cost optimization, empowerment of new experts. PG shall be innovative enough to support the investors and develop new definition of capacities and bandwidth commodity, flexible system upgrade with short delivery time and work closely with the leading supplier in technology development.

**c. Incentives**

Recognition and appreciation are an important tool to keep all PG members engaged, motivated and to work more efficiently and effectively. The ground reality is that most consortia ignore these golden principles and thus ends up with “Sleeping PG” in which members attend the meeting for sake of attendance and just wake up when there is an issue concerning their investment or there is a delay from their side!

Very few consortia consider inviting various subcommittees’ members to attend the system inauguration party while most consortia limit the attendance to executives forgetting the key players engaged over long period until system entered into service

**d. Continuity & Risk Assessment**

PG shall always be prepared with Plan-B. Continuous monitoring and evaluation of all project cycles and deliverables are mandatory steps. Consortia shall consider committed plan of work from the initial stage up to the retirement of cable system identifying parties who is in charge in each committee for each stage. This plan will ensure smooth handover among parties and prevent any knowledge gap

The right PG structure enables Smart PG to deal with these challenges and to create effective and result oriented group. As a summary, the smart PG shall consider the following aspects to advance it’s organization design

Basic Aspects	Smart PG structure
Organization Design	Support PG Strategy & Business Objectives
Functions	Suit the PG strategy and objectives
Manpower	Right experts in the right function
Environment	Deals smartly with multi-cultural difference, flexibility to deal with various countries regulations, authorities and associations to avoid delay in the project completion
Level of authority	Empower PG to take decisions for normal project changes without referring to Management Committee (MC) to endorse each and every PC & CV involving small sums.
Innovation	Ensure creative and innovative approach in the procurement management and tendering process

Incentive	Create productive & effective team working
Business Continuity & Risk Assessment	Assure risk assessment study, continuity and critical resources always available – Plan B!

## 2.2. PROCUREMENT STRATEGY

Submarine cable systems are usually designed to operate for 25 years. This long life span requires well-organized and developed strategy to draw the blueprint of the cable systems. Developing Procurement strategy enables consortia to have comprehensive planning, accurate benchmarking and superior performance. PG without clear strategy could successfully serve the short-term goals, however, with absence of strategy, ignoring future technological developments and unduly concerned about additional cost could avoidably lead to a solution which might make investors to suffer in future which could have otherwise been avoided if a proper and smart strategy was put in place from the word go.

There are number of stories in which some consortia discovered some major issues in the system after sometime of system operations and then when tried to rectify these issue, the capital cost of system increased dramatically. As an example, laying the submarine cable system in “non-landing” country territorial water may shorten the distance of the route and lower the cost, but it might become a nightmare during cable repair in the future due to change of cabotage law, new regulations and political conflicts.

The proper strategy would enable parties to avoid future specific technology limitation and consider long-term design viability

parameters at day one such as repeater bandwidth, repeater spacing, fiber type, cable armouring type and technology & equipment roadmap and many other critical parameters of the planned cable system

The Smart PG needs to consider wide range of aspects that have an impact on both short and long terms goals such as:

- Future requirement
- Tendering process strategy
- Supplier management
- Technology evolvment,
- Design roadmap and limitations
- Future operational cost

## 2.3. ETHICAL ACTS

Ethics act is key principle which includes various vital attributes such as integrity, fairness, honesty, transparency, confidentiality [3]. The desecration to these principles affects any company’s image and credibility and might lead to loss the stakeholder’s confidence. It is needless to emphasise that ethical behaviour of PG members is the most vital for whole procurement process and environment.

There is number of behaviours unfavourably observed in procurement environment [4]:

- A. **Misleading Bidders** by providing inaccurate information.
- B. **Sharing bidders’ information** or solution. This behaviour is the most dangerous behaviour besides being breach of the confidentiality of bidding process. The challenge here is to collect appropriate evidence to establish the violation conclusively which is almost impossible. It will not be out of the way to mention that

Bidders are also responsible for this as they are always looking for confidential information of their competitors to win the tender. Some suppliers have their certain executive exclusively dedicated for this purposes. Consortium shall act ethically and eliminating any bidder who fails to justify any assumption information or proposal or conclusively found to be in search of competitors' confidential information submitted in tender document!

- C. **Giving free/ unsolicited advice, hints or suggestions to particular bidders.**
- D. **Accepting gifts** from suppliers. This behaviour appears on the procurement for number of reasons such as the friendship relation between bidders and purchasers or cultural compulsions where by it requires induvial to accept gifts. Smart PG shall respect the bidding process and adopt "no gifts" principle and side invitation.
- E. **Tailoring process** and/or assigning irrational weightage to various key technical parameters is one of the well-recognised unethical techniques that is pushed for adoption by some PG members during the tendering evaluation process and this defiantly leads to limit the competition among bidders which results in losing the opportunity to obtain the technically superior and cost effective solution.

Organization who suffers from ethics issues might take long time to restore their customers' confidence and stakeholders' satisfaction. In addition, lack of ethics lead to create a market with less innovation and competition. This Paper is not intended to create a barrier between supplier and

purchaser, but it highlights the abuse of this otherwise desirable relationship and the impact of these behaviours on the procurement environment.

### 2.4. EMOTIONAL CONNECTION

Maintaining good relationship with Suppliers is an advantage to cable consortium, as it would help consortia in many ways such as price negotiation, effective communication, constructive discussions/outcome resulting in achieving targets with less issues and last but not the least ease in dispute resolution, in future, if any.

However, such advantage could turn into sort of Emotional connection (EC) just because of past good experience with specific supplier. The reasons for EC, in additional to the good experience, could be extended to the environment around the PG member, who could have received his management's special endorsement of specific supplier. Change resistance could be another reason as well since the PG member is satisfied with x-Vendor's equipment in previous projects. There are many other reasons like receiving special equipment discount, vouchers & clearance of pending matters in their own projects...etc which also could be the driving reasons for EC.

The moment EC seeds grows, PG output could suffer especially if this is the case with many members!

This may affect the PG process in many ways like dispute with in PG whenever x-vendor negative issue is a subject for discussion, delay selection of the best offer, delay in Decision-making, unnecessary interference at MC level, bad solution selection if the influence is strong.

EC will have much more devastating impact if it is related to the leadership of the PG or its working groups head even more than any other individual PG members do.

EC connections in some cases, might lead to non-ethical acts & leakage of important details either during the evaluation process and/or during Selection process. EC could prevent the PG group from deep follow up and negotiation of disputed issues involving concerned vendor, accepting project changes without due discussion and proper analysis & finally to cover up the supplier mistakes in order to maintain the good relationship but at the cost of the owners' rights such as justifying possible delay in project completion and readjustment in scope of work etc.

Although EC is a subjective issue, the Smart PG shall set up the mindset towards a process that is not EC driven/immune to EC. Retaining/enhancing owners' rights shall be the main objective of PG. Transparency and explaining the issue of EC itself at the establishment stage of PG, would awake/enlighten the members who are anxiously driven towards any specific bidders without looking at the full picture ignoring overall objective of PG

### **2.5. CHAIRPERSON CHARACTER**

The procurement group chairmanship plays the key role among all sub-committees of the consortia which is at the same time most challenging due saddled with the objective to make available technically most superior system at optimum price to its investors. It is a matter of leadership and this role requires both knowledge and skills due to the nature and challenges that the procurement group faces. In addition, this role requires special skills such as object oriented, decisiveness,

flexibility, diplomacy, assertiveness, negotiation talent and transparency in order to professionally lead the group to the best outcome and to earn the support and satisfaction of the group members

The group members cannot trust the chairperson leading the group who is not straight forward and is saddled with uncertainty or monocratic mindset attributes.

Part of difficulties in submarine cable consortia are the multinationalism within the group members and variety of personalities. This requires the chairperson to be prepared to adopt number of situational management and leadership styles to gain the respect, support and control. While chairperson need to respect multinational characteristics of the group, at the same time also need to remember that his role is cut out for best results for consortium as a whole and not for any particular party/region.

### **2.6. BACKDOOR INTERFERENCE**

The backdoor interference could happen during the cycle of the project process either from PG members or even by the bidders via unsolicited offers. The Role of PG is to limit such interference by adopting solid evaluation and selection process, which shall put full stop to such practice during the adjudication process. The backdoor interference could happen from PG members due to different motives as well, like for example emotional connection, ethical acts, change resistance, lack of expertise to confirm technical solution validation, supplier influence on some MC members, business alliance of some party (s) with specific supplier...etc

In all cases, allowing the backdoor interference has effect on the smooth and best decision-making, project triangle

control and finally selection process. Smart PG may have no control on PG/MC members in relation to the backdoor interference, however, transparency and straightforwardness in all processes and sticking to the agreed procedures alone shall limit impacts of such acts. To start validation process even before commencing the entire Tendering process would help stopping suspecting the quality of any supplier technical solution, which seems to be the easiest way for backdoor interference to influence other PG members towards specific preferred solution/supplier no matter the other aspects like price, plan of work and quality and future technical support

### 2.7. PROCESS MANAGEMENT

A number of new entrants to submarine cable business prefer the consortia route to invest in cable systems in order to minimize the risks associated with cable system construction and management, which require strong knowledge and experience in number of fields such as marine operations/maintenance, transmission, legal, management and consortium administration. Parties cannot commit to maintain their expertise forever due to number of factors such as companies priority, new business opportunity or retirement. Therefore, this needs to be debated with in consortium as to whether consortium should seek certain premium from them for admitting them as members in cable consortium! Such premium could be well justified as new entrant brings in only investment into the project like any other old seasoned consortium parties/investors but not any expertise needed for successful completion of the project. achieving consortium objective which is necessarily imparted by seasoned investors .

Problem begins when the PG leadership start using the outdated document and template developed previously long time ago for some other cable system without updating themselves with the latest inputs on matters like change of law, technology evolvement, logistics, marine regulations, Taxation ...etc

Another form of inadequate process management appears more during the tendering process. Majority of procurement groups follow a traditional procurement process [1], straightforward and simple process. Such way have become exposed and tenderers are well familiar with it now. Smart PG needs to:

- Frequently evaluate their document and process in order to ensure superior outcome by relying on expertise to proper develop the right document for the right scope.
- Smart PG must adopt fair and creative tendering process. Adding new steps into the procurement process to meet the latest challenges will encourage tenderers to react differently; and at the same time, it will induce tenderers enough to ensure the best outcome from them.
- Some technical experts refuse to quantify the technical section since they believe the weighting criteria is subjective. Purchasers could avoid repeating BAFO phase by running round-off concept during the tendering. This concept challenges bidders to improve their offer to avoid the disqualification. Nevertheless, this must be kept in mind that tenders always keep some margins with them to meet last minute price reduction costs from PG. This should be

optimally exploited by PG for the benefit of consortium.

### 2.8. COMMUNICATION

The communication among purchasers during information gathering and validation during the contract formation is one of the most crucial steps in procurement. Missing information or misinterpretation of requirements are the causes of most of issues in cable projects. Discovering new requirements at later stage and to accommodate the same could lead to either abnormal increase in the price or delay the project as a whole which is not in over all interest of the investors.

PGs rarely pays attention to Logistics requirements & permitting issues such as PIP permits, site access, security, importation and customs clearance. These aspects are equally important for PG to remain focused as they could cause delay and extra cost to consortium. There is no need to emphasise that usually this happens due to the poor quality of the communication among the purchasers/PG. Improving the communication between purchasers and supplier is also significantly beneficial for all parties and project as a whole as this will protect the project delivery time, make cost saving and improve the procurement process.

### 3. CONCLUSION

PG is more than a group of members who just follows classical process to find the lowest price solution. The successful and smart PG should have rigid organization structure with a vision and long-term strategy along with proper process management supporting the business objectives. The smart PG opens the door for innovation and work closely with the supplier for technology and solution

development on one hand while continuously improving the processes with in PG on the other hand.

In addition, the same group shall be able to deal with various situational and behavioural challenges and other influences factors in order to assure effective and competitive procurement process. Advance preparation and transparency are key factors to deal with such matters. Without support from the MC, no one can assure how much the success and deliverables are as per the owner's desire. The role of MC in this case is to assure appointment of the right expertise in all subcommittees and not limited to the PG alone. The support would enable and empower the PG leadership towards success in best possible ways following good and ethical practices.

### 4. ACKNOWLEDGEMENT

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