

## **Case Studies in Contract and Procurement Management**

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### **Abstract**

Harvard University developed the well known case studies approach for MBA curriculum. For International Management, Thunderbird University is the known leader. Cranfield University in United Kingdom, also published much work on case studies. Using these publications and the internet search, add much to the learning of global business and leadership. One of the hottest jobs today is being a project manager. After the project management course, MBA students are taking the Contract Procurement Management course. Contract manager works closely with project manager. The new survey indicated that contract management and procurement management are two of the growing disciplines globally, during the economic downturn in 2008. MBA students completed real-life case studies as their final projects. This paper summarized their results.

Keyword: Contract Manager, Logistics, Procurement, Project Manager, Supply Chain Management

Harvard University, Thunderbird University and Cranfield University UK have been publishing case studies for 20+ years. Massachusetts Institute of Technology, Polytechnic Institute of New York and Stevens Institute of Technology offered the Executive Master Degree program in Technical Management to differentiate themselves from the traditional MBA degrees. Project Management is one of the core courses. Since project management is cross-functional, the project skills learned can be applied to any industry. Companies started to hire project managers in construction, engineering, environment, finance, human resource, marketing, software or any large/small project. In 2008, project manager became one of the hottest job titles, with 3,500 daily openings listed on Dice.com, Hsu (2007).

The next hot job title is Contract and Procurement Management (CPM). Year 2008 witnessed the worst global recession and financial meltdown. Bad news were all over: 90,000+ layoffs on Wall Street, no CEO bonus, big three auto makers asking for government bailout, toxic mortgages, bankruptcy filings, banking crisis, exotic derivative implosions, hedge fund companies closed, private equity firms insolvent, pension/mutual/bond funds down 30 to 80% in USA and many parts of the world.

In the down economy, contract and procurement managers fare much better than other managers, CNBC (2008). Businesses are interested in lowering costs, so they hire CPMs to review and negotiate the global purchase of equipment, supplies and services. For import/export business, the cost for international transport and storage materials makes a huge impact on a company's bottom line. There is high demand to hire a supply chain manager and/or a logistics manager to facilitate all transportation and shipping issues. The four job titles: contract manager, logistics manager, procurement manager, and supply chain manager are used interchangeably in different firms. At the end of the day, they are all doing the same jobs, namely to buy from global suppliers or to sell to world customers with the best quality products and the best prices. Dice.com lists daily jobs for these managers: contract 848, supply chain 177, purchase 141, logistics 98, and procurement 81.

Since 1996, internet e-commerce quickly became the new paradigm for doing business. For CPMs that are e-commerce savvy, they will definitely be able to quickly get the bids of global suppliers, buyers, and all types of relevant information to close deals for the firm. CPMs will play bigger role in those firms that are doing international business in the e-commerce era for the next ten years.

**(A) Dominican College\*\*\***

In Fall Semester of 1988, Dominican College enrolled 1,400 students when this author joined the Division of Business Administration as an Associate Professor in Computer Information Systems. It offers Bachelor of Science programs in Accounting, Computer Information Systems (CIS), Economics, and five concentrations of management: 1. Financial Management, 2. Human Resource Management, 3. Information Systems Management (MIS), 4. International Management, and 5. Marketing Management. As of the Fall Semester of 2008, the College enrolled 1,950. The College is located 14 miles northwest of New York City. Business is the largest division.

This author taught all courses in CIS/MIS, Hsu (2007). He served as the Director of Business Administration Division, from 1990 to 1996. Starting in 1992, this author also taught courses in the International Management area, namely International Business, Global Marketing, International Finance, International Management and Manage Global E-Commerce. While the majors in CIS/MIS continue to decrease (Hsu (2007)), there has been a steady increase for students to major in International Management since 2001.

**1. MG355 International Management**

In Fall 2008, 23 day students enrolled. Accounting, finance, toxic mortgages, ethics, human resource, managing culture, marketing, merger/acquisition, and operations, were covered in details, Hsu (2006), Hsu (2007) and Hsu (2008). They did final group projects covering global business founders/managers in France, Germany, India, Italy, Mexico, Russia, Saudi Arabia, Singapore, Spain, Sweden, and UK. The presentations went well, see Table 1.

**2. MG 366 Manage Global E-Commerce Projects**

Twenty people enrolled in Fall 2008. Ebay and Amazon were the American success stories for e-commerce. This course covered 7 countries taking the e-commerce to the global level. In the continental Europe, 60 discount airlines were formed to benefit travelers. There are 27 countries with 500 million people in the European Union. The discount airline started with just one website doing e-commerce, and tried to be the next RyanAir or EasyJet. Final team projects involved the comparison between the discount airline and the traditional airline, covering Belgium, Czech Republic, Germany, Finland, Hungary, Ireland, Italy, Poland, Spain and UK, see Table 2.

**(B) Keller Graduate School of Management\***

Keller is part of the DeVry University (DV) system. DV is a for-profit firm that has significant impact to the University Education community. DV has 90+ locations offering online or onsite courses, throughout the United States. It trades in the stock market under the stock symbol DV. The price was \$52.77 as of 12/15/2008. DV trains 20,000+ professionals yearly.

The Oracle based DV eLearning platform (eDV), is a very powerful learning tool for both the instructor and the students. DV eCollege helpdesk is available 24/7 and 365 days, with toll free telephone and online support. Registered MBA students signed in with the D numbers and passwords. They were able to preview course syllabus, chapters, assignments and references. Instructor's screen contained the same materials, but instructor could modify assignments, create the grade book, and receive assignments online. Short quizzes using multiple choices and true/false questions were graded by eDV. This feature saved

much time on the instructor part. Threaded discussion questions were displayed on eDV. Students answered them in the threaded manner every week, and instructor graded them easily. Midterm exam could be done online if needed. Team or individual project was posted on eDV. The important thing to cover for the instructor is the terminal course objectives (TCO). eDV did an extensive work in TCO for each course. Final exam is conducted on the closed-book and closed-notes basis for the entire period, 3.5 hours.

### **1. PM 582 Project Management System**

Project Management Systems introduces project management principles and methods from the standpoint of the manager who must organize, plan, implement, and control non-routine activities to achieve schedule, budget, and performance objectives. Topics include project life cycles, project selection and organization as well as planning, budgeting and scheduling systems. Planning and control methods, critical path method, PERT/Gantt charts, earned value techniques and project audits, are studied.

Since 1999, this author taught Project Management 20+ times at 10 different firms, Hsu (2006) and Hsu (2007). Each course has slight different content. Keller's course placed emphasis on the engineering tasks such as late start, late finish, early start, early finish and the heavy use of MS Project 2007 Gantt chart to do two projects. There was difficulty for several students doing the "hands-on" project. One solution was to do group project. It worked out well. At Keller, this course was taught in March with 8 MBA students and in July again with 7 MBA students. Student evaluations were extremely positive. Four of the seven students enjoyed this course so much, that they subsequently enrolled in the next course PM 598.

### **2. PM 598 Contract and Procurement Management**

This course examines processes through which goods and services are acquired in the project management environment. Topics include contract procurement strategies, legal issues, contract pricing, technical, management and commercial requirements, request for proposal (RFP) development, global sourcing, invitations to bid, bid evaluation, risk assessment, contract negotiation and administration. The textbooks were from Garrett (2007) and Fisher and Ury (1991).

The Terminal Course Objectives (TCOs) represent minimum skills that will be developed or enhanced upon successful completion of this course:

- A Given a project situation, discuss and document the six phases of the procurement cycle and the impact that procurement has on the overall project.
- B Given a project situation, analyze those factors that are important when firms need to qualify and select suppliers for a project requirement.
- C Given a project situation for a major contract, examine the key factors, including risk factors that affect buyer/supplier decisions concerning contract pricing and the selection of the proper contract type.
- D Given a procurement situation for a major contract, analyze the application of e-Procurement and other types of supplier bidding models available.
- E Given a situation to solicit a bid proposal, evaluate technical, management, commercial and ethical requirements, and then prepare a RFP.
- F Given the receipt of a proposal or competitive proposals for a major contract, determine the key factors used when negotiating an agreement or evaluating competitive proposals and establish a negotiating strategy.

G. Given a project situation, analyze and select effective contract management techniques to control contract cost, schedule and performance factors; as well as manage contract changes, contract claims and contract close out.

H. Given a claim on a major contract, analyze the role of commercial terms and conditions, the uniform commercial code (UCC) and applicable government regulations on the outcome

The course ran for eight evenings, 6:00 – 9:30 p.m. Grading components were: weekly eCompanion 100 points, major quiz 200 points, MIS Project 300 points and final written exam 400 points, for a total 1000 points. Each week, the TCO was covered according to the outline posted on eDV. Fisher and Ury (1991) gave good examples on negotiation techniques. It was used for role play in class. Garrett (2007) provided sound theoretical approach on fundamental concepts. Real-life examples in contracts, international buying/selling, logistics, and supply chain management, were covered in details.

Using cell phone as a starting point, this author asked the students to compare features and prices. Then they did role play employing negotiation techniques before they signed contracts with ATT or Verizon Wireless. Another way was to explain real estate contracts. Buyer, seller, realtor, broker, lawyer all played different roles in this business. Use the role play in class, going through the detailed process:

1. seller makes an offer via a realtor (seller agent)
2. seller agent presents it to the buyer via the buyer agent
3. both sides continue to negotiate the content and the price of the contract
4. both sides agree with the condition of sale and sign the contract
5. the contract is subject to lawyer's review
6. buyer places 10% earnest money deposit to the escrow account of the seller attorney
7. buyer applies for the mortgage
8. after two to four weeks, buyer gets the mortgage
9. both sides with their agents, went to closing at the seller lawyer's office
10. At the closing, buyer gets the deed of the house and everyone gets paid

For the MIS Project, it is important to gain knowledge in procurement, supply chain and e-business in the global environment, see Table 3. Kung and Gordon (2007) were used to learn the supply chain management. Sheller (2008) gave a talk in this class, on global supply chain using his firm as the example. Final projects were done, by focusing on these issues of nine companies: 1. Cisco, 2. Dell, 3. IBM, 4. Intel, 5. GE, 6. Microsoft, 7. Oracle, 8. SAP, and 9. Sybase. They did excellent jobs. Student assessments were:

1. Overall course rating, excellent 4 and good 5
2. Instructor rating, excellent 5, good 4
3. Instructor has a great sense of humor.
4. Instructor always shows up on time.
5. Instructor uses personal experiences.
6. Instructor is very knowledgeable on the subject.
7. Instructor gave great examples.
8. Instructor was very clear in explanations.
9. Instructor made the class very interesting.
10. Sheller, the guest speaker, did a good job.

## CONCLUSION

With the down economy, many students were interested in learning real-life management practices. International Management, Global E-Commerce, Project Management and Contract Procurement Management courses were taught at two different firms to 67 people. Hands-on approach, in-class team exercises, homework assignments, role play, use of MS Project 2007, MS Visio and other software,

Harvard case studies, internet search, final projects using oral presentation by a team or by an individual, will have the best chance of success.

**\*\*\* Full time position**

**\* Part time consultant**

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<b>Table 1</b>	<b>MG 355 International Management</b>		
	<b>Final Group Project chart</b>		
<b><u>Group A</u></b>	<b><u>Topic</u></b>	<b><u>Group B</u></b>	<b><u>Topic</u></b>
Hill	Annika Falkengren	Guzman	Ambani brothers
Ivascu	SEB, Sweden	Sakvarelidze	Reliance, India
<b><u>Group C</u></b>	<b><u>Topic</u></b>	<b><u>Group D</u></b>	<b><u>Topic</u></b>
Burgess	Ho Ching	Johnson	Albrecht brothers
McMullen	Temasek, Singapore	LaRose	Aldi, Germany
<b><u>Group E</u></b>	<b><u>Topic</u></b>	<b><u>Group F</u></b>	<b><u>Topic</u></b>
Herrera	Linda Cook	Hamilton	Bernard Arnault
Radha	Royal Dutch Shell, UK	Perrin	LVMH, France
<b><u>Group G</u></b>	<b><u>Topic</u></b>	<b><u>Group H</u></b>	<b><u>Topic</u></b>
Piasecki	Gulzhan Moldazhanova	Schmidt	Prince Alwaleed Kingdom, Saudi Arabia
Vaccaro	Basic Element, Russia	Stewart	
<b><u>Group I</u></b>	<b><u>Topic</u></b>	<b><u>Group J</u></b>	<b><u>Topic</u></b>
Almonte	Carlos Slim Helu	Matchett	Amancio Ortega
Cruz	Telmex, Mexico	Slesinski	Zara, Spain
<b><u>Group K</u></b>	<b><u>Topic</u></b>		
Ciaravino	Berlusconi family		
Whitney	Fininvest, Italy		

**Table 2 MG 366 European Airlines Case Studies**

<u>Group</u>	<u>Names</u>	<u>Country</u>	<u>Project</u>
1	Guzman	Germany	Lufthansa
	Sakvarelidze		Air Berlin
2	McKeon	Ireland	AerLingus
	Tekeoglu		Ryanair
3	leppariello	Italy	Alitalia
	Schmidt		MyAir
4	Douyon	Czech Republic	Czech Airline
	LaRose		Smart Wings
5	Azuri	Spain	Iberia Airline
	Berrios		Air Madrid
6	Craig	Poland	LOT
	Yavaldakis		Wizz Air
7	Almonte	Belgium	VLM Airline
	Coaxum		Virgin Express
8	Murphy	UK	British Airway
	Smith		EasyJet
9	Lunham	Finland	Finnair
	Malchett		Blue 1
10	Bernard	Hungary	Hungarian Airline
	Tejada		SkyEurope

- A. Start with a country, pick two airline firms, one traditional and one e-commerce.
- B. Compare the two firms: CEO/founder, company VPs, board members, location, annual sales, core business, # employees, e-commerce advantage, sample routes, fares, major competitor, how is the firm doing today, future trend.
- C. Written paper: 9 - 12 pages, doubly spaced.  
Oral Presentation using MS Power Point, 13 - 18 slides  
12 minute presentation, 4 minute Q& A

**Table 3 PM 598 Contract Procurement Management**

**MIS Project Guideline**

1. Research on \_\_\_\_\_. Get info on:
  - a. Company CEO and Senior VPs
  - b. Company location
  - c. Company annual sales
  - d. Company core business
  - e. Number of employees
  - f. Stock price and investor relations
  - g. What are the major products in procurement contract and/or supply chain management?
  - h. Is there an E-business that uses #g?
  - i. What are the features and pricings of these products?
  - j. How is the company doing today?
2. Write a ten-page (3000 word minimum) paper to include the above items.
3. Use MS PowerPoint, make a 10-15 slide presentation to summarize these key points.

