

Informita News

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Self-medication has its flaws

How to maximise your working capital results?

There are many people in the world who resort to all sorts of quackery because they do not have access to modern medical professionals and facilities. But even those people would acknowledge that they were forced to take an approach that is at best second rate. Equally, the rest of us will go to a doctor to diagnose a problem and follow the doctor's recommendations to treat the problem. Self-diagnosis or self-medication would be considered dangerous. If that is the case why do so many large organisations try to improve working capital without professional help? There are generally two reasons: money and ego. The first thing is that most consultants in this discipline charge ridiculous rates. Many large companies have spent years being fleeced for millions by consultants of many different hues and not always got the results they desired. There are other senior corporate people who believe that working capital management is simple and they know what to do. The usual results of self-medication are that working capital results are not maximised. It might seem obvious that we may need to collect cash more quickly from customers, that we need to be better at managing inventories and that we need to find ways of paying our suppliers more slowly. But how is that done? And how can it be done in a way that is ethical and protects the companies image? How can working capital be reduced while strengthening the supply chain? How can we support smaller suppliers? How can we make sure the changes we make are sustained? These are all questions where a professional can help. These are all the reasons that Informita was formed. Our fees are extremely reasonable since we do not have the gigantic overheads of traditional consultancies and our advice is as good, if not better than any of these larger organisations. But if you think you know better, please go ahead and try.



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Will e-procurement cure corruption?

Many developing nations are implementing e-procurement systems in the hope that high levels of corruption can be curtailed in their public procurement processes. There is an old joke where an African minister is on an official visit to Europe. His European counterpart boasts that they made a bridge 10% shorter so that they could pay him off. The following year the European minister is visiting with his African counterpart. He is taken to the site of a bridge. But there is no bridge. The African minister then tells the European minister, "You get 10%, I get 100%!" in the context of e-procurement the lesson is that such systems will force controls that should make it more difficult for the small guy to be on the take. But they will do nothing at all to prevent the big players from continuing the colossal graft that goes on in almost plain sight in many countries. E-procurement systems have proven their worth across the world in many industries and in both the public and private sectors at reducing the cost of process and helping users get goods and services more quickly. They have been helpful in restricting the ability of users to create maverick purchases. But they have no track record to prevent bad or fraudulent deals being made. That should not be interpreted that e-procurement systems should not be adopted in developing countries, but we should properly recognise the benefits they can bring rather than wishful thinking.



What does winning look like?

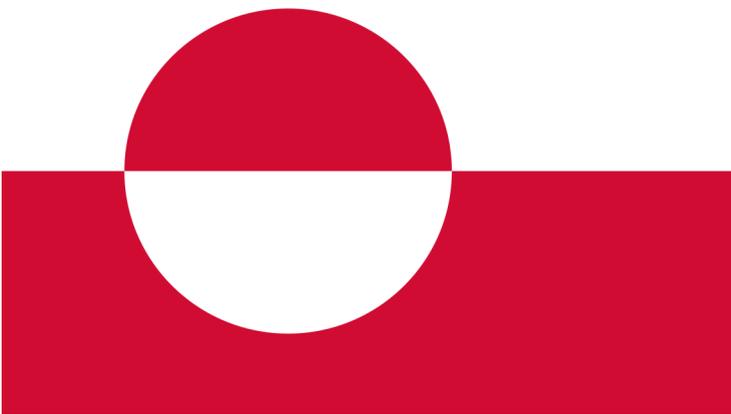
The results of the North American trade war

President Trump certainly knows how to shake things up. He called NAFTA the worst deal ever negotiated and vowed to scrap it or renegotiate a better deal. The Mexican people and the Canadian Prime Minister were insulted. Many Canadians started to turn their nose up at US produce in their stores. The US car industry worried that they might have to close down all their factories in Mexico. We saw tariffs on Canadian aluminium and steel. We all had the impression that things could get really nasty. After 18 months of negotiation a new deal was announced called the US-Mexico-Canada Agreement (USMCA). So what has changed from the NAFTA deal? At least 40% of all cars made in North America need to pay their workers \$16 per hour, US farmers can sell more milk to Canada, currency devaluations are not allowed and the dispute mechanism has been slightly altered. Everything else is exactly the same as NAFTA. So this really looks like a revision to NAFTA rather than a new deal. So what was all the bluster about? It does seem like not a lot has changed. And the threat of NAFTA being completely scrapped caused a lot of uncertainty. Maybe we have learned something about the Trump administration. Let's start with a tantrum and statements of dubious worth. Let's insult as many people as possible to get their backs up. Then let's get a deal with minor improvements and declare a huge victory. There are negotiations currently going on between the US and China over trade. Let's see if something similar might happen.



The coming cashless society

We have been told for years that the cashless society was on its way. Swedish churches do their collections electronically, Kenyan market stalls accept payment on their mobile phones, we have contactless cards, Paypal, Stripe and many more methods to pay for goods and services without the need for physical cash. But there are still those who cling on to cash in some of the oddest places. Try paying for public parking in Bavaria with a card of any kind and it will not work. Many Portuguese cafes will tell you that their credit card machine does not work so you must pay in cash. Foreign exchange kiosks across the world continue to charge exorbitant rates for foreign exchange. Cash is expensive and unsafe. Let's hope that more of the world follows the Swedish example and abolish cash entirely.



Greenland: A Hidden Gem?

Greenland is the largest landmass on Earth after Australia and the Antarctic. It has a tiny population of less than 60,000 and has a GDP per capita that is round about the European average. The public sector employs nearly half the workforce and is heavily dependant on subsidies provided by the Danish government. That subsidy is expected to reduce over the coming years under a deal struck back in 2009. Fishing makes up for most of the rest of the economy. Although a small economy today there are several signs that there could be considerable growth in the coming decades. Greenland is very rich in natural resources but most of the juicy stuff is under the ice sheets that cover most of the country. As global warming kicks in and the ice sheets retreat, Greenland is expected to become a boomtown driven by mining of everything from iron, silver and nickel to the rare earth minerals required for much of our advanced electronics. The country is powered mainly by hydro-electric dams and used the Danish Krone as currency. So all the elements required for growth, but it is going to take time.

Brexit: Is chaos looming?

It feels like two guys in a argument outside a bar over who gets that last available taxi home. The taxi driver will wait for a while as the outcome is decided, but tells everyone that they need to make a decision or he will be gone. The bar owner tells that taxi driver to come back later when the outcome is known, but insists that the taxi will go to a destination that neither of the arguing parties want to go. In the meantime the argument continues without any resolution. What a complete mess. From a business perspective the situation is now far beyond farcical. There are real consequences whatever is decided in the end. The only thing to do is to prepare for the worst outcome. That might not happen, but at least your business will be able to mitigate against the worst circumstances in the event of a "No Deal" Brexit. Remember that this is the argument about the withdrawal deal. There is still a trade agreement to be discussed and agreed. How can that be done when one party is not clear about what they want and the other party isn't sure that their counterpart has the authority to make any agreement stick?

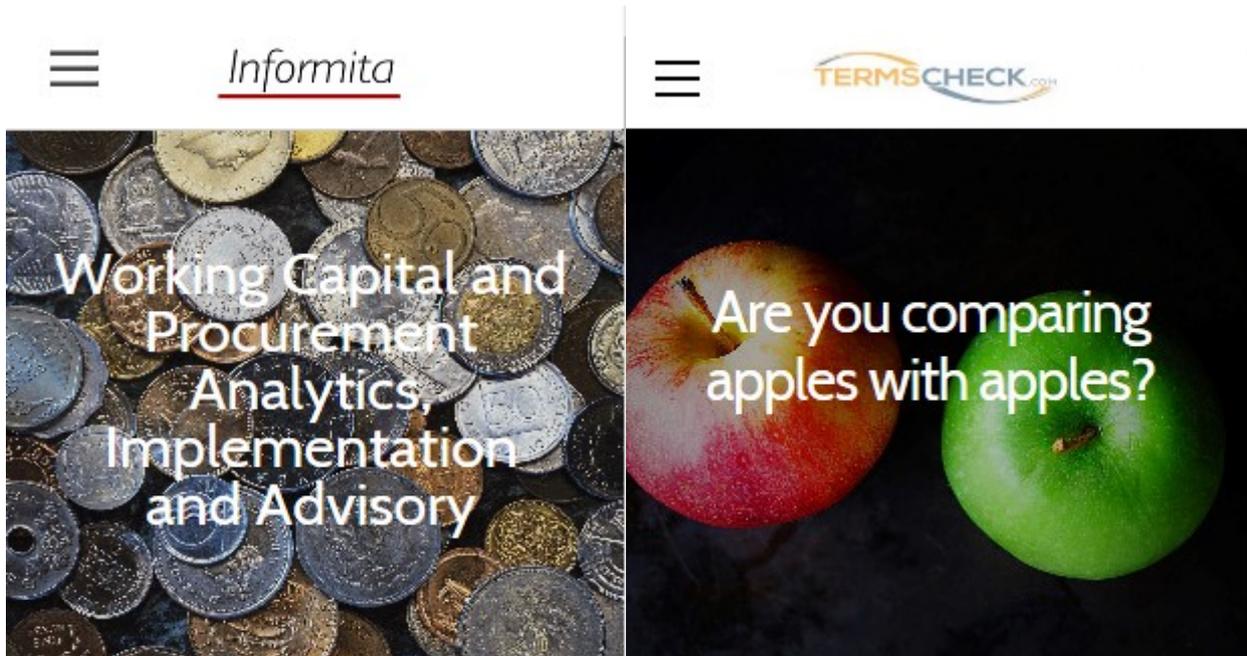
Are RFI's a waste of time?

Or an opportunity to educate?

Many see RFIs as a complete waste of time but we would beg to differ. RFIs are an excellent way to understand a category of expenditure that procurement or the rest of the business is not familiar to a level of comfort. Very good examples can be major software purchases. There can be many choices in terms of functionality, security, infrastructure, license costs that can make such a purchase quite complex. If you are starting from scratch an RFI can be a good first step in understanding the variables in play before the construction of an RFP. Many RFPs fail because they were not exact enough about the real business requirements. End users often get enamored by the sexy functionality of software without actually thinking through whether that functionality might be required so you end up with an over-specified product. It can be tempting to buy the highest specification machine because it will probably be more reliable. Many years ago, we were asked to consolidate the spend for a client for fork lift trucks. Not knowing anything about forklift trucks, we issued an RFI so that we could learn about all the different specifications available and used this information for the basis of a business consultation so that we could comprehensively define the requirements of these machines. Only then did we issue a very precise RFP. So a good RFI process will make for a better RFP. That will drive a better product specification as well as helping the business understand its true requirement. In the end, that means the business gets the product they need and procurement can get it at the best possible cost.



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