

**BOOK REVIEW**

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*Enhancing Procurement Practices: Comprehensive Approach to Acquiring Complex Facilities and Projects*, by Attila Kovacs (Boston, MA: Kluwer Academic Publishers, 2004, hardbound, ISBN: 1402077408, 671 pages, US\$210.00).

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Although the title might lead one to assume that this book is only about new or innovative practices, it is really part survey of existing practices, part theoretical framework for procurement, and part suggestions for dealing with more complex contracts, with a special emphasis on project contracting. The book resulted in part from the author's experience in the telecommunications field in Hungary. Much of the discussion centers on construction contracts (civil engineering, electrical engineering and similar projects), of several hundred thousand dollars on average and six months to three years in duration. The author's stated intent in this book was to address two major areas: "project procurement and the comprehensiveness of the solicitation documents" (Preface, p. xxvi). He does this by addressing in summary fashion a large number of concepts and milestones in the procurement process in sequential order up to the point of contract signature.

The author's focus is on more than just routine purchasing, as he recognizes the complexities involved in acquiring large systems (which he refers to as "project procurement" or "projectised cases"). By including a substantial emphasis on these complex procurements, the author makes a useful contribution to the literature. All too often, procurement studies are limited to generic supply contracts, rather than more difficult system contracting or intricate service buys. Although this is not primarily a theoretical text, the book covers a fair measure of theory with many charts modeling the procurement process, but he also offers specific, practical advice for drafting solicitations and performing various other pre-award activities.

Early in the book, the author properly notes the lack of precision in terminology used in the procurement field and advances some specific proposals to deal with this problem. Chapter 2 provides a long-needed analysis of some of the inconsistent terminology used in procurement, especially from a global perspective considering the impact of international financing institutions, a state of affairs that he rightly points out is “disconcerting.” In the Glossary at the end of the book, the author defines procurement as “The entire chain of *prearrangement*, *sourcing*, and *contract realisation* activities,” thereby revealing his penchant for unconventional terms. The author proposes to harmonize something as basic as a description of the two parties to a procurement, for example, by referring to them as “procuring entity” and “undertaker.” Unfortunately, the latter term holds little hope of widespread acceptance, particularly in a U.S. context, where it has a specific (morbid) meaning unrelated to procurement.

Likewise, the author proposes a unified term “facility” to describe the subject of a procurement, but once again there are limitations to this terminology, because in U.S. Federal contracts, the term “facilities contract” has a long-established, specific meaning that is much different from that advocated by the author (see Federal Acquisition Regulation, section 45.302-2). In addition, the Glossary includes a definition of “requirements contract” that bears no relation to that used in American law. Consequently, the author succeeds in bringing our attention to a key issue, but his proposed solution does not “take us to the land of clarity and unambiguity” (p. 23).

The fact that, as the author points out in Chapter 14, the European Union refers to “framework agreements” where the U.S. uses a variety of terms such as “basic agreements” and “basic ordering agreements,” shows just how far the profession needs to go to ensure clear communication among its practitioners and scholars. Nevertheless, his creation of unfamiliar terminology and a somewhat unusual writing style (see, for example, Chapter 18, section 1, titled “Standardised Versus Bespoke [sic] Solicitation Documents”, p. 309; “Splitting to Body Text and Attachments”, p. 311; and “Partaking of Offerors,” p. 429), make the book at times more difficult to read than other works on procurement, a fact that is not without its ironic sense in that page 330 contains a discussion of “Grammatical Considerations.”

The treatment of definitional problems in the book, and the fact that the author felt compelled to create his own system of terminology (for instance, he coins a new phrase “frame contracts” to encompass basic ordering agreements, indefinite quantity contracts, etc.), should be viewed as a call to action. The charts developed by the author in Appendices A through C, summarizing the variety of procurement terms now in use across international organizations, go a long way toward explaining why the author believed it necessary to create a new language of sorts in approaching his subject. In a profession that relies so much on the written word, the message here is that consistent terminology would benefit us all in promoting a common understanding of the field.

Chapter 4 clearly and concisely adopts the correct strategic focus for corporate procurement, one which public procurement offices would do well to emulate. The author, who holds an engineering degree, includes various useful graphical and mathematical depictions of various aspects of procurement throughout the book. He wisely includes a discussion of the often-neglected topics of value analysis and value engineering (VE) in Chapters 5 and 8. Appendix D is the author’s synopsis of the VE technique known as FAST (functional analysis system technique) that is recommended to all who work in procurement. His work is particularly informative in its approach to buying commercial products using value analysis as a procurement planning tool. The treatment of earned value management (EVM) in Chapter 8 recognizes the limitation of EVM in a contractual setting in which the buyer does not know the seller’s profit margin. As in most discussions of EVM, however, no practical advice is given as to its proper application to fixed price contracts.

Beginning with Chapter 6, the author nicely integrates the Project Management Institute’s Project Management Body of Knowledge (PMBOK) with the procurement process, even devoting an entire chapter to “Procurement in the Context of Project Management” (Chapter 9). He is one of the few authors and practitioners to recognize how interconnected the two subjects are, and he goes so far as to devote four of the book’s 33 chapters to project management matters. By dealing with issues such as work breakdown structures and the project cycle in Chapters 8 and 9, he gives examples from the telecommunications industry and successfully makes the connection between project management and procurement management. He even offers an impressive graphical image of “a procurement-related adaptation of PMI’s map of project management knowledge areas and processes” (p.

145), with separate charts for the purchaser's as well as the seller's perspective. Public procurement professionals should pay particular attention to this aspect of the book, as it lends a useful framework for understanding their customers and how procurement fits in with the overall goal of designing and implementing successful projects and outcomes.

The author develops a useful responsibility-sharing matrix for buyers and sellers in Chapter 8 that models roles and responsibilities in the procurement process for civil engineering-type projects as well as for installation of information technology systems. Chapter 14 provides a useful survey of the range of contract types available, covering both pricing arrangements and other aspects; however, it is fairly basic in its approach and does not break new ground. The discussion of delivery incentives, for example, discusses bonuses, but instead of providing sample clauses or examples of their successful application, the author devotes space instead to a graph (Figure 14-1) of mathematical functions.

Although the book is primarily oriented toward private sector procurement (industrial and service sectors), Chapter 12 is devoted to a comparison of public and private procurement systems, limited largely to a brief review of key public procurement principles such as fairness, efficiency, and transparency, and the need to find the right balance between "elaboration and allowance." The book also includes analysis and discussion of issues relating to procurements for international financing institutions such as the World Bank. Further, Appendix E provides a listing of the various procurement timelines mandated by various international organizations.

The book is short on practical suggestions for public procurement, however. On the topic of pre-qualification of offerors, which appears occasionally throughout the book, the book omits the more difficult aspects of this issue for public procurement, because private firms need not be concerned with public perceptions regarding competition and transparency. On the issue of procurement lead-times, the author's chart in Chapter 6 (Table 6-5) depicting a 14-60 day process for soliciting, negotiating, and awarding a contract (that is, a contract using what he calls "shopping procedures" akin to the least complicated supply contracts) is laudable but not necessarily realistic for public procurement. To illustrate the point, only 15 days are allowed for offerors to prepare their proposals. Most public procurement professionals would envy the latitude that private sector procurement officials have in making such

responsive contracting a reality. Having said that, the book actually describes a fairly complex and intricate contracting process for use in the private sector (which Chapter 25 notes may take as long as 226 days for “project procurement”), and most public procurement professionals would find it familiar. Concepts such as sole source contracting, competitive range, and debriefing of unsuccessful offerors all find their way into the book, which may be surprising to those who expect a more streamlined process in a book on private sector procurement.

The strength of this book is not in its discussion of public procurement, however, but in its placing the procurement function in a project management context, which is a principle that can be applied to both sectors. There will likely be difficulties in applying many of the techniques described in this book to public procurement. For example, the author recommends (p. 439) that cash flow estimates be requested of offerors in their proposals. Although his underlying logic is sound, in public procurement (specifically, U.S. Federal contracts) attempting to apply such an approach might run afoul of the statutory prohibition on obtaining certified cost or pricing data. In addition, in recent years, there have been various initiatives to reduce the proposal preparation burden on offerors, so his proposal runs contrary to that trend.

As another illustration, in Chapter 15 (pp. 249-250) the author recommends directing prime contractors to use specific subcontractors (which he refers to as “guided sub-sourcing”), a practice that has long been criticized in public procurement by U.S. Federal agencies because it is noncompetitive and brings into question whether the prime really is functioning as an independent contractor. In yet another example in the same chapter, the author proposes “multi-sourcing with single source preference” as if it were a new and innovative approach; however, the new terminology developed by the author simply obscures the fact that this is what is well-known in public procurement as reserving the right to make multiple awards, for which standard solicitation provisions have long existed.

In Chapter 16, the discussion of determining the firms from which to solicit proposals will be at best an academic exercise for public procurement, as normally Federal, state, or local government rules govern this area. Also, the discussion is somewhat dated, as it focuses on solicitation mailing lists, which, at least in the U.S. Federal sector, are no longer used. The author might have done better to deal with how governments as well as private buyers now use the Internet to publicize

upcoming contracting opportunities and issue solicitation documents. On the other hand, the author makes up for this shortcoming later, because the analysis and charts in Chapter 31 on E-Procurement provide an intriguing framework for comprehending the impact of electronic communication on the skills needed for effective project management (Table 31-3). Regrettably, the discussion on e-auctions in this chapter is only a cursory one, as it omits mention of more sophisticated tools such as the Vickrey auction (where the contract is awarded to the second lowest bidder rather than the lowest bidder, to prevent artificially low prices).

The book tends to have relatively brief coverage of a wide range of topic in procurement. Chapter 16 reviews basic procedures on proposal submission and evaluation, but goes into only summary detail on the various key principles. On the other hand, Chapter 18 capably distills the essence of the contract writing process into a two charts (Tables 18-3 and 18-5) that can be useful for instructional purposes, and Chapter 29 provides some keen but concise insight on negotiation techniques. Similarly, Appendices F through L provide listings of subjects for consideration when conducting procurements of nearly any sort, such as common documentation requirements for offerors and frequently used terms for information technology contracts. This sort of compilation can be a resource for practitioners seeking to ensure that their contracts are comprehensive in scope.

The book has its share of practical forms for use by practitioners, such as the proposal evaluation format in Chapter 20 (Table 20-2), the list of typical sections of a commercial contract (Chapter 22, Table 22-1), proposal instruction contents (Chapter 24, Table 24-1), and technical materials to be submitted by offerors (Table 24-6). What the book does not discuss are the evolving approaches to reducing the size and administrative burden of complex proposals, such as the Statement of Objectives approach to performance-based contracting. In this respect, the book is a fairly traditional approach to procurement. The list of possible technical evaluation factors shown in Table 20-3 (p. 341), while informative, is not accompanied by any discussion of how a performance-based, results-oriented, solutions-seeking solicitation document might make the buyer's job easier and produce better outcomes. Unfortunately, the mathematical price scoring procedure advocated by the author in Chapter 24 for project procurement is unusually complicated and may intimidate the reader (pp. 446-451). To

his credit, the author does include a detailed discussion of adjectival rating schemes that should be of use to practitioners.

One shortfall of the book is that it focuses almost entirely on contract placement (how to solicit, negotiate, and award a contract). There is little discussion of contract administration issues, even though the PMBOK (which he describes well in Chapter 8) gives attention to this subject. What little material is presented on post-award matters, such as the chart displaying the monitoring and acceptance process for a construction contract (Chapter 22, Table 22-1) and the summary discussion of warranties, is helpful. Chapter 30 is titled “Closing of the Procurement Procedure,” meaning “award of the contract,” but in truth any project is just beginning at that point.

Overall, the book is an informative discussion of a wide range of pre-award procurement issues, but its usefulness for public procurement scholars and practitioners is limited. The strength of this book is its perspective on procurement from the standpoint of project management, and hopefully it will spark greater interest in the subject. Although it would be difficult to recommend this book as a primary text for either academics or practitioners in public procurement, it provides enough material worthy of note to make it an informative read for those engaged in secondary academic research on private sector contracting or for corporate buyers, especially those interested in the European context. One suspects that its lasting utility may be for private sector buyers who are new to the field and for those practitioners or scholars who are interested in pursuing its unique integration of the project management and procurement functions.

#### NOTE

The views expressed are solely the reviewer’s and do not necessarily represent those of any U.S. Government agency.

Reviewed by Robert E. Lloyd, CPCM  
U.S. Department of State