

Purchasing tasks on *The Apprentice*: How candidates can do better by understanding uncertainty

Episode 3 of the 2011 season of *The Apprentice* in the UK nicely illustrated how working in ways that deal with uncertainty better can give an advantage. It's interesting even if you don't plan to get on the show in future.

The task

The task was a purchasing task, to buy a list of unusual things for the Savoy Hotel in London for the lowest total price, with penalties for failing to buy any item on the list.

The purchasing task has been used before and we now know what to expect. Once again the teams didn't know what some of the items on the list were, didn't know where they might be able to get them, didn't know what prices to expect, and didn't know how long it would take to find, travel, negotiate, and load the items.

That's a lot of uncertainty! To help them the teams had telephones, a pile of business directories covering the areas of London, and two vehicles with drivers. With no internet access they were out of their comfort zone.

What both teams did

Both teams started in their office, telephoning numbers taken from the business directories in an attempt to locate suppliers for the ten items. They struggled to identify all the items, with 'ten inch stainless steel cloche' being the most baffling. They also struggled to find any suppliers for several of the items.

Having identified a supplier for some or all of the items, both teams split into two and went out in their vehicles to visit suppliers, negotiate prices, and get the items.

They would arrive at the supplier's location, ask for the price of the item, then say they desperately needed the item that day and could they have a much lower price. Their negotiating position was weakened further by having no alternative supplier identified in many cases.

Tempers frayed, personalities took over, and the clock raced towards the deadline.

What were the big mistakes?

Several mistakes were identified during the show but these don't seem to have

been important. The teams' results were separated by less than £10 even though the winning team appeared to be much better led than the other. Both teams made the same underlying strategic mistakes and these have a lot to do with uncertainty and how it was dealt with. They were:

- stopping the search for suppliers too soon and all going out on the road; and
- not taking advantage of the suppliers' uncertainties during negotiations.

The search for suppliers

Both teams seemed to think that having identified suppliers from their office they could stop that activity and move on to negotiation and purchase. Of course many things could have happened that would have required more searching.

- Failing to agree a price.
- Not having time to go to a distant location.
- Finding the product was not suitable.
- Finding that the supplier did not have enough in stock despite previous assurances.

These were all things they probably thought shouldn't happen, but still could have and in fact the first two items did.

The smart thing to do would have been to put just two people in each vehicle and leave two in the office to continue making telephone calls to find out information and identify suppliers.

Perhaps the team members were so desperate to be seen negotiating that nobody was willing to stay back in the office. Perhaps rules of the task not revealed to the audience prohibited this. Nevertheless, being able to continue an efficient search while negotiating and purchasing would have been better.

This mistake and the better approach happen in many ways in business. Many tasks that in the simple world of theoretical management practices should be done with a 'plan-do' approach actually require continued planning and re-planning while trying to 'do'. We need to remember that many unpredictable things happen and we should try to work in a way that allows us to carry on making progress despite them. In short, expect the unexpected, even if you don't know exactly what to expect. Get set up to continue (re)planning throughout execution.

Suppliers' uncertainty during negotiations

When the suppliers received their first telephone enquiry from a team member they couldn't know if the call was from a time waster or an important future customer. As long as they remained uncertain the teams had a negotiating position. But the more the suppliers learned the less incentive they had to reduce their prices. Desperate to buy? Need it today? Apparently don't have any alternative? All these are indications that a high price can be asked for, not that a heavy discount should be given.

Teams should have started price negotiations by telephone, even if they couldn't conclude them. They should have said nothing about their desperation to buy. They should have checked that collection that day was *possible*, without clearly communicating that they *needed* collection that day.

The teams did not have to lie to keep the suppliers feeling that perhaps their new customer had alternatives, and perhaps didn't need the product, and perhaps might make further purchases in future. All the teams had to do was not give away information.

Other areas of uncertainty

In addition to these two areas of uncertainty there were several others that teams could have dealt with better.

The sensible project manager, knowing that unidentifiable items are a possibility, could have asked their whole team to run through the list trying to identify the items. This is best done with everyone consulted because it maximizes the chances of someone knowing. Items that still remained unidentified could be noted for telephone research, perhaps starting with a general supplier to hotels who might be able to explain a 'ten inch stainless steel cloche'.

Not knowing what prices to expect was an important area of uncertainty for two reasons. First, it hampered negotiation. Second, it made it difficult to decide when to give up on an item. The penalty for failing to buy an item on the list was a charge of the item's list price plus £50. Teams did not know the list prices so they didn't know what penalty was involved.

In the 2010 series of *The Apprentice* a team lost the purchasing task because it focused on getting everything to avoid penalties and ended up paying too much.

To establish some expectations about prices the teams could have put more effort into telephone enquiries, as mentioned above. They could also have made best use of the team's existing knowledge by getting each team member to write down a range for the list price of each item, without knowing what other team members thought. This method avoids the problem of anchoring, where the first number anyone mentions tends to become the focus for further estimates. Asking for ranges also helps keep an open mind about the actual list price.

Finally

So what is a stainless steel cloche? It's a metal hemisphere used to cover food on a plate before serving. With access to the internet that's easy to find out.

Version history

24 May 2011: Initial version.