

# A RELATIONAL APPROACH TO THE ACQUISITION DECISION-MAKING PROCESS IN THE MILITARY ORGANIZATION

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*The market relations of military organizations focus on the acquisition of material goods and/or services. Nonetheless, the importance of the decisions related to the supply process is sometimes minimized. This attitude is so harmful for the efficacy and efficiency of the activities conducted by the military structure that at times it can have a negative impact on the management staff too. Problems may occur because the acquisition process must unfold performance-oriented; its main objective is the purchasing of material goods and/or services meant to ensure the smooth operation of the activities of the military organization. In case this cannot be achieved, it is highly probable that the mission of the organization itself is compromised. The present article explores the constitutive elements of the acquisition decision-making situation, certainty, uncertainty and risk connected to the purchasing mechanism, as well as the stages of the acquisition decision-making process.*

**Key words:** *situational decision for acquisition; decisions for acquisition under uncertainty circumstances; acquisition decisions under risk circumstances; the acquisition decision-making process; preparation of the logistical acquisition decision; adoption of the logistical acquisition decision; application of the logistical acquisition decision.*

## 1. INTRODUCTORY ELEMENTS

The challenge of trade relationships brought about by market relations fluctuations necessarily causes a dynamics of the purchasing military organizations both in the micro- and macro-

environment elements specific for the supplying firms. This interference of the military beneficiaries with micro-environmental factors (i.e., goods suppliers, service providers, customers, competitors, public organizations), as well as with macro-environmental ones (i.e., economic, technological, political, institutional,

cultural, natural) requires that logistics officers have real skills in order to carry out their duties and responsibilities regarding supply planning, acquisition management, marketing of purchases, stock management, distribution management, etc.

The development of the strategy related to the supply management-marketing activity requires the controlled orientation of the information extracted from the military organization and the market unto acquisition decisions to be made inside the proper decision-making processes. This is due to the fact that the decision is associated to a relatively short time or a specific moment (seconds, minutes), whereas the process presupposes a relatively long time (days, weeks) with reference to the decision itself [1]. Therefore, in the case of the acquisition of goods by military units, decision is a component, an operation inside a process, which relates it to time. In this way the strategy is made – which includes a set of processes and decisions, due to its reference to a longer period dedicated to supply (trimester, semester, year, sometimes even more).

The decision-making action set on by the development of each acquisition procedure makes it necessary to use IT decision-making tools in order to increase the efficiency and efficacy of decisions [2], and thereby to allow acquisition logistical decision-makers to further proceed to the selection of the most convenient product and/

or service suppliers. Under these circumstances, among the acquisition decision-making elements all the legal guaranteeing details (stipulated in contracts, conventions, orders, agreements) must be included to avoid uncertainty and risk situations which may occur during acquisition (post contract) [3].

The investigations made so far have shown that the most important constitutive elements of the decision-making situation in the sphere of military acquisitions are:

- The decision-making factor (organism) or the logistical decision-maker; the logistical decision-making environment.
- The acquisition logistical decision-making factor or the logistical decision-maker is a logistical manager (the chief of logistics; a subordinated chief of department or office) or a legally established board (such as the board appointed to conduct an acquisition procedure) which, in virtue of its derived objectives, tasks, competencies and responsibilities, makes the decision in the respective situation.
- The decision-making environment consists in the sum of endogenous and exogenous elements of the respective military organization which make up the logistical decision-making situation, characterized by the manifestation of significant direct and indirect influences on both the contents and results of the logistical management decision

related to the organizational acquisition.

The prevailing tendency at the decision-makers' level in the area of military logistics is to increase their decision-making capacity, as a consequence of their increased professional knowledge in the related management domain, in order to make them able to successfully guide complex logistical acquisition activities; this involves significant human, material, financial and information resources, implying the preparation of the economy and territory for defense [4].

The endogenous elements related to a certain logistical structure mainly refer to: a higher level of general and specialized military training, the IT support of logistical activities, a better knowledge of the professional potential of subordinates and continuous collaboration with them, guidance of the actions unto meeting the objectives, efficient use of resources, etc.

Among the aspects falling under the exogenous elements the following are noteworthy: the shorter life-cycle of the knowledge regarding the specific acquisitions in the military logistics domain, of the military equipment, products and materials and, additionally, the faster pace of moral wear and tear, the higher amount of scientific, technical and economic knowledge and its fast obsolescence, inflation, monetary instability, etc.

Within the logistical acquisition decision-making process, the primary factors of the logistical acquisition

decision become interdependent, which is reflected in the specific features of the logistical decision-making situations that they create [5]. As in any economic environment in general, in the military logistics area three situations may occur in peacetime; the latter influence the logistical acquisition actions' timeliness and efficiency and are as follows: certainty, uncertainty and risk.

## **2. CERTAINTY, UNCERTAINTY AND RISK IN THE ACQUISITION PROCESS**

In order to understand the complex decision-making process which must be conducted to perform acquisitions timely and efficiently we will explain the concepts of certainty, uncertainty and risk as decision support tools for the acquisition of goods and/or services. Therefore, the decisions made under certainty circumstances presuppose situations in which the effect of the decision (the supplier chosen for the product, price, way of payment, etc.) can be found in advance. In this case, it is certain that the decision-making action to identify and select the most convenient supplier will coincide with a certain model based on anticipated information [6]. Thereby, the beneficiary will certainly purchase the product with the lowest price and best quality, according to the data comprised in the task book of the auction or the selection of bids.

The acquisition decisions for products and materials under uncertainty presuppose situations

in which the possible outcomes are unknown. From the viewpoint of the purchasing military organization, such decisions are oriented to signing contracts of sale to provide the products and materials without respecting all the legal provisions in force regarding the information collection, analysis, processing, interpretation and assessment as to the bidders' capacity to meet the specific requirement [6]. Additionally, from the supplying economic agents' perspective, uncertainty appears when the results of the actions performed to sign the acquisition contracts are unknown. The causes of instability are: weather uncertainty, which as a rule has a short-term influence, mainly on the crops (early and summer vegetables, winter products, etc.); economic uncertainty (the unpredictable change of the delivery price for products and materials, bankruptcy, illegal and disloyal trade actions, etc.); technical uncertainty (the influence of the technical level, of some devices and technologies on market, upon the agricultural or industrial output, etc.); political uncertainty (change in the national policy at national or world scale, of the economic legislation policy, etc.); social uncertainty (changes of the social habits, varied consumption of agricultural products, i.e., fresh, dehydrated, preserved, etc.) [7].

To avoid the situations which might call for decisions under uncertainty, we consider that the legal provisions must be fully observed

as far as the public acquisition of goods is concerned; on the other hand, it is equally important to study the market (the bids), to have all the information available about the real and potential bidders.

The acquisition decisions under risk are those resulting in the contracts of sale signed by the military units and large units, following the legal acquisition procedures, when losses or other mishaps are likely to occur in the economic activity of the selected firm [7]. In such cases, risk differs from uncertainty in the sense that the likelihood of foreseeing a mishap can lead to taking precautions. The latter are the auction documents or other acts drafted upon the selection of bids or the procurement of cheap goods.

From the bidder's perspective, risk can be caused by a series of objective and subjective factors, such as: the change of economic conditions in time; the fast technological changes; the invalidation of the previous experience; the technical and economic analysis errors; the intervention of the state; the instantaneous changes of prices, etc. These causes may trigger changes with positive or negative effects on the expected economic results. As a consequence, risk is about the possibility that an unfavorable event occurs, which changes the expected gains [8]. In conclusion, the acquisition decision of the military beneficiary is based on both objective and subjective reasons,

among which the former prevail. Therefore, the rationality criteria such as price and quality – with all their parameters – are carefully considered. The preparation of the acquisition decision presupposes precise answers as to the existing need, the necessity of the purchase, the preferred supplier, the related costs and profits. Additionally, the decision-maker (the military organization buyer), represented by the auction board or the board of analysis of the bids, through the decision they make as to the most convenient supplier, causes the onset and implementation of the acquisition decision, following the settlement of economic contracts of sale and of delivery of the amounts (mutually) agreed on, according to the delivery schedule [9].

### **3. STAGES OF THE ACQUISITION DECISION-MAKING PROCESS**

In the field of procurement, the marketing decision is the core act of management of this process, put into practice by choosing – out of several possible variants (supplier economic agents) – the one which makes it possible the rational use of the financial, material and human resources in order to reach the intended goal, with high economic efficiency. Such a choice requires from the decision-making bodies a specific marketing perspective, knowledge, experience, expertise and availability in the respective domain, as well as detailed

information on the suppliers, processed and provided on a daily basis by the information system of the logistics of military units and large units.

To do all this, the logistical acquisition decision requires from the decision-maker to consider the following elements: the clear identification of the logistical missions (objectives); the selection of several variants meant to reach the objectives; the choice of the best, logistically feasible variant.

With this in mind, the acquisition decision-making process conducted by the habilitated military organizations is defined as the whole set of acts preceding and following the moment of acquisition of a product on market [7].

The selection decision of the most convenient supplier is the result of a chain of activities which can be considered stages, phases or elements of the decision-making process, the implementation of the decision showing the nature of the process itself (**Figure 1**).

The preparation of the logistical acquisition decision necessarily involves:

- the identification and definition of the logistical issue which is the object of purchase by the organization, keeping in mind the objectives to meet, the perceived risks, the degrees of involvement of the stakeholders, etc.;
- the necessary information collection, selection and processing (on the potential suppliers and the prefiguration of variants);

- the drafting of action variants and of the operational plans (programs) related to the organization and the development of the public acquisition process.

Some examples of logistical acquisition decision might include: the organization of the public acquisition procedures for goods and services; the preparation of the logistical support for field exercises, etc.

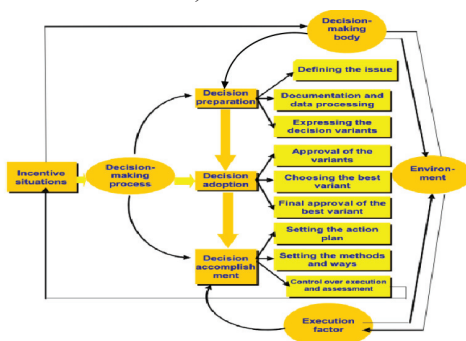
The adoption of the logistical acquisition decision includes the following sub-stages:

- the analysis (assessment) and comparison of the alternative decisions (i.e., the potential suppliers and their bids) as to the advantages and disadvantages of each variant (solution);
- the choice (selection) of the most advantageous variant (the most convenient supplier and the settlement and development of the contract of sale).

The implementation of the logistical acquisition decision by the organization involves a series of activities, organizational and motivational in nature:

- informing the people in charge about the decision by explaining and providing reasons for it in order to create the motivational environment;
- scheduling the practical action ASAP (the initiation of the contract of sale with the economic operator);
- controlling the decision and adjusting the action when deviations from the plan agreed on occur;
- adopting adjustment decisions for the initial plan (when necessary);
- assessing the final results after acquisition and setting the compatibility with the identified issue (with reference to acquisition).

The first stage is the most important, considering the fact that any management-marketing expert in the field of logistics, in order to be as less vulnerable as possible, must analyze thoroughly the various aspects of the issue under discussion and diagnose it accurately. To rely solely on intuition at this moment is harmful, for the decision made in this way cannot solve the problem with certainty. For the decentralized supply of the various types of products, the regulations in force nominate the logistical products and materials to be ordered, contracted, supplied and discounted by the units and large units. In this sense, each military organization must draft a



**Fig. no. 1.** A dynamic model of logistical decision-making

To exemplify, here we may consider: the potential supplying economic agents and service providers; the shipment and maintenance variants, etc.

supply plan and an annual program of public acquisition, correlated with the data included in "The notebook of indicators and support calculations" which will comprise all the products and services to be acquired, based on budget articles. The documents will further be submitted for approval to the commander of the respective echelon. The funds necessary to accomplish the supply plan and the annual program of public acquisition will be applied for on the chain of command to the authorizing officers.

Periodically (every 3 months) the stakeholders will analyze the stage of accomplishment of the requirements written down in the aforementioned documents at each unit (large unit) level; concrete measures will be set to carry them out entirely. Following this analysis, the required credits will be diminished or increased, which causes a correct allocation of the necessary funds, in keeping with the evolution of prices and of the specific acquisition procedures conditions.

We also think that at this stage the risk and uncertainty providing situations are added, such as: the risk of not assessing the whole amount of needed supplies, due to the omission of the asset dynamic; the risk of not applying in due time and in sufficient amount for the money needed to pay the products to be purchased; the weather uncertainty; the economic uncertainty (inflation, bankruptcy, strikes, etc.) [7].

The adoption of the logistical acquisition decision is a stage which takes into account the information

amount assessment, its character, the acquisition sources and the identification of the possible variants. The information thus obtained must be accurate and complete, and its collection must focus exclusively on what is of utmost importance to reach a logical decision; this requires a high analytical and synthetic capacity, as well as risk-taking. In this sense, the military experts in the area must: draft the documents according to the legal provisions, in order to ask for all the necessary information on the suppliers, needed to further conduct the scheduled acquisition procedures; do local, regional or national market research in order to get all the information they need on the bidders.

To avoid the risk situations typical for this stage we consider the following prerequisites must be kept in mind: asking for all the needed information through the acquisition procedures documents; rejecting the bids which do not meet the stipulations contained in the acquisition data file and the task book, etc. By doing this, we ensure the rejection from competition and from the very beginning of the bidders with limited potential as well as of the intermediates. Moreover, the conditions are met to perform a normal selection of the most convenient supplier for the required product (material).

It is also at this stage that the assessment of the alternatives is made; it is a sub-stage which involves the assessment of the supplying economic agents and of their bids

alongside with the comparative study of the previously collected information and the design of a hierarchy as to the preference order, by considering the advantages and disadvantages of each variant. To do this, the checklist of assessment criteria must be objective, by granting each supplier, according to their specificity, measurable values, in keeping with the legislation in force [10].

The objective analysis of the bidders' calls for specific management-marketing methods, which allow for the correct assessment of their performance features submitted to the comparative economic analysis. At this stage, the acquiring military organization compares the required information so that, in case of uncertainty situations specific for the stages preceding the acquisition decision, they are able to assess the risk involved.

Generally speaking, in the case of product and material acquisition too, risk may appear as:

- risk as to the expected performance, considering the quality of the bidders participating in the auction (open tender), the contents of their bids, the product samples, the price offered, etc.;
- financial risk, whether or not the bidders have the required financial capacity within the minimally accepted limits as to the social capital, turnover, creditworthiness, credits and debts to pay, the immediate

intention to increase the selling price of the contracted product or the prospect of significant maintenance and repair costs for the purchased goods (as it were, for instance, fixed assets and inventory objects with variable period of use);

- risk as to the managerial capacity and relations mainly caused by the operational-organizational structure of the economic agents under analysis, management experience, financial stability;
- risk as to the time wasted on the meetings of the board of bid and acquired product/service assessment – due to the non-correlation of the necessary activities and documents for the acquisition procedures, to the difficult shipments following the acquisition decision, damage or decay of the product beyond the accepted food perishing norms, product malfunctions (in case of long-term use goods, etc.);
- image (psycho-social) risk which reflects the disappointment of the logistical bodies of the military units and large units as to themselves, their mates, bosses, the higher echelon, as a consequence of non-observance of the legal provisions regarding acquisitions, triggering significant material liability and disciplinary measures [11].

It is noteworthy that the perceived risk is not identical with the real one, existing at a certain moment. The difference between them is related



to the specificity of the products and suppliers, as well as to the capacity of the specialized boards to assess correctly the suppliers and the bids, against the perceived versus real risk criteria.

Selecting the most convenient supplier and signing the sales contract are the most significant sub-stage as regards responsibility. Completion of the comparative analysis of suppliers and their bids leads to the drafting and signing by the acquisition procedure board of the decision regarding the bid assessment.

Within the process of comparing the different bidders participating in the public acquisition procedures in order to choose the best solution, in our viewpoint some aspects will occur which reveal the complexity of this process:

- the goods or services as part of the acquisition process must comply to the competencies dictated by the regulations in force;
- the public acquisition procedure type will reflect the value threshold to reach and not to exceed, as well as the quantitative amount of the product/service to be purchased;
- irrespective of the acquisition procedure, the quality-price ratio is a major objective of the beneficiary involved as an organizer of the purchasing decision-making process of the respective product/service;
- the documentation for each acquisition procedure under preparation must be correctly made by the designated staff, so that it follows all the

requirements and conditions imposed by the legislation in force;

- the staff involved in the public acquisition mechanism must have the experience, knowledge and skills that will allow them to choose the best bidder and to get an adequate marginal use for the subsequent buying and selling process.

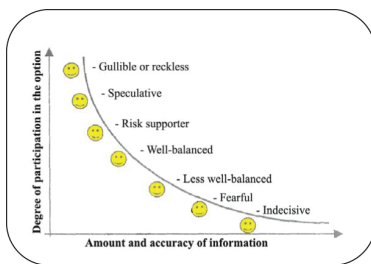
Next, after the result of the acquisition procedure is made public, the military organization will provide the contract form to the winning bidder, which the latter dates and returns within the legal term (i.e., the number of days decided on since notification). To avoid any risk during the contract development, the winning bidder – upon endorsement of the contract – will send the military beneficiary the performance guarantee letter which is a compensation for the possible losses, following non-fulfilment by the latter of the contractual obligations [7].

The last stage of the decision-making process is the implementation of the logistical organizational acquisition decision, which objectifies the need of the military organization and essentially expresses the process of assessing the difference between the military purchasers' expectations and the perceived preferences on the economic operator; the result is seen in different satisfaction or dissatisfaction degrees of the logistical experts involved. If translated into information, the degrees feed a positive feed-back circuit when

satisfaction of the purchasing unit or large unit is repeated after utilization, or a negative one, when there is dissatisfaction as to the results of the choice [7].

According to the above and considering the efficiency of the decision-making process, we can talk about the psychology of decisions, insofar as the process of making them depends not only on the amount of information and their accuracy, but also on the behavior of the people participating in it, and on the relationships between the decision-makers and the performers asked to implement the acquisition decisions [12].

Proportionate to the degree of participation in choosing the best variant (decision making) and the amount and accuracy of the information needed to support decisions, there are several types of decision-makers (**Figure 2**).



**Fig. no. 2.** Types of decision-makers

The challenge of the performant conduct of the proper decision-making processes for public acquisitions requires higher management skills, which can be acquired by the on-going training

and development system for the military logistics personnel involved in such activities. Therefore, the psychological value and the efficiency of the decision-making authority in the public acquisitions domain is given by the clarity of the documents revealing the legality, transparency and practical character of the acquisition decision-making process, expressed by the effective and performant development of the sales mechanism [13].

All things considered, the acquisition conduct of the military organizations depends upon the skills, knowledge and experience of the experts involved; this also calls for significant IT literacy, considering the need to properly use the electronic system specific for public acquisitions [14].

Currently, the complexity of military actions at peacetime both on the national territory and on the theaters of operations implies the proper involvement of the logistical bodies; the latter should observe the right regulations for each situation. When necessary, they should suggest complex logistic support solutions engaging the economic operators functioning on the national territory or abroad [15].

## 4. CONCLUSIONS

A logistical decision-making process in the field of product/service acquisitions requires from the logistical factors a specific

management-marketing perspective, knowledge of the domain, experience, skills and availability to take certain risks as to the development of the logistical actions, as well as (detailed and updated) information provided timely by the specific information system.

Moreover, the quality of the logistical decision must prove, on the one hand, efficacy – i.e., the result of the latter’s implementations (the effect is equal to the effort), and, on the other, efficiency (e), highlighted by the ratio between the practical logistical effort (Efc) and the logistical effort made (Efo), following decision support, making and implementation, which must be greater than 1:

$$e = \frac{Efc}{Efo} > 1$$

Among the main aspects contributing to the justification of decision in this domain we may include: the wise intertwining in the analysis of both objective and subjective elements; the use of experts’ thinking and experience; the way of valorizing information and the continuous promotion of a highly receptive sense of what the economic sciences offer: management and marketing.

The logistical management in the military organizations in peacetime asks for very well-prepared and motivated logisticians, who will adopt appropriate leadership styles in the acquisition

process and develop efficient decision-making capabilities, well-supported professional relations, obvious communication skills, high resistance to stress in order to solve the many job-related tasks, often overtime, etc.

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