



Virginia Public Procurement

Partnerships in Procurement

“Relationships that Matter”

Be the change you want to see in the world



START

Objective

Ensure your organizational procurement strategy is successful.

Challenge

Next year discussion – Using the five “Keys to the Game” was your strategy successful within your own organization?

What worked, what didn't, how, why, why not, etc.?

Implementing a Vision: Action Plan

- Briefed vision of CoVA's procurement direction
- Provided principles to help leverage procurement into a high-performance organization
- Should have guided you to develop procurement "value" to help you achieve organization goals

Complexity is the enemy – keep it simple.

Rick Hughes CPO P&G (30 years)

There is very little that Virginia does not do well in government management.

That's been true for a while. But it keeps looking for improvements, and very often finds them.

Governing Magazine, February 2005

Procurement

- Past
- Present
- Future

Past

- No electronic procurement
- No IT
- Certification – non-regulated
- Typing POs, paper bids + carbon paper
- No SWaM
- VAGP was men only
- Paper adverts
- No P-cards
- Paper, paper and more paper
- No value to upper management
- No certifications
- Antiquated solicitation delivery (mail, clip boards, etc.)
- No Cooperative procurements
- Access to actual people (no voice mail)
- More personal – now lost between email / voicemail
- Limited communication between buyers and vendors
- Longer processing times
- Less red tape
- More duplication
- Less vendors / less diversity
- More waste / fewer controls
- Single quote thresholds different
- Difficult to perform spend analysis
- Less communications / networking

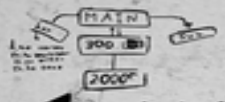
Present

- IT component
- eProcurement
- eVA helps speed up process and makes it more efficient
- Everything electronic
- Visibility / transparency
- Environment constantly changing at a fast pace
- More respect (than in past)
- Invited “to the table”
- Looked at as a “step-child” and lumped under finance, admin or other office
- Compensation lags, but getting better
- Contribution to taxpayers is a cost savings / cost avoidance (benefit)
- Education is commodity-specific instead of general in nature
- More contract unbundling
- More rules/policies/regulations that seem unrealistic
- Changes come too fast and APSPM + Vendors Manual updates can't keep up
- Vendors Manual needs to be updated (i.e., Micro Business)
- Confusion about state policies and procedures
- Driven by politics that have nothing to do with effective procurement
- Preferences, set-asides (add difficulties)
- Empowerment to field / customers
- Greater partnerships with vendors
- Greater collaboration / decentralization
- Higher standards, ethics
- More certifications / stricter guidelines
- Budget cuts

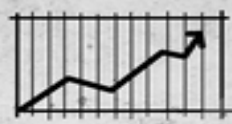
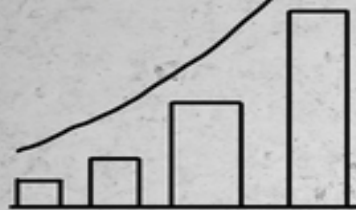
Future

- Technology
- Improved electronic systems (signatures)
- Complete electronic records (paperless)
- More electronic procurement and payment (ex. EDI)
- Streamlining of process from initial request to payment for goods/services
- Potentially paperless (technology will trend to do more tasks)
- Payment paperless
- Less paper
- No binder/no newspaper ads
- More affects negotiations and drive value
- Revised RFP process
- More cooperative work between agencies
- More collaboration
- Policy and procedure updates
- Simpler processes
- Clarity about policies and procedures
- Improved and expanded customer service
- Strategic purchasing (proactive and less reactive; provide solutions based on needs identified through analysis.)
- Decrease in purchasing personnel
- More teleworking
- More vendor training and outreach
- More training opportunities
- Higher skillsets by profession required
- More formal degrees in procurement
- Procurement as first step in organization activity planning processes
- Procurement professionals more involved in initial planning and budgeting activities
- Permanent seat at the table
- Greater respect

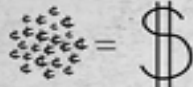
- **Past**: Paper. Buy stuff. Right stuff, time, place, quality, low bid. Clerical/transactional. Men only. Commoditization. Only get what you pay for. Supply assurance. Expediter. ***Tactical***
- **Present**: Help manage change. Right price, but avoid risks. Influence/manage demand and supply planning. TCO, sources, cooperation. Requirements + specs development, innovation, cost modeling, avoid/reduce costs. ***Operational***
- **Future**: Plan/adapt to changes in supply and demand needs and drive adaptation. Increasing value, strategic impact on business plans/goals. SCM / Logistics. VMOs. Collaboration. Data, data, data. Relationship management. ***Strategic***



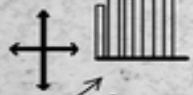
WWW



idea 45% is SALE!



TEAM



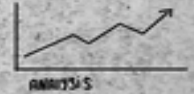
MARKETING



SUCCESS



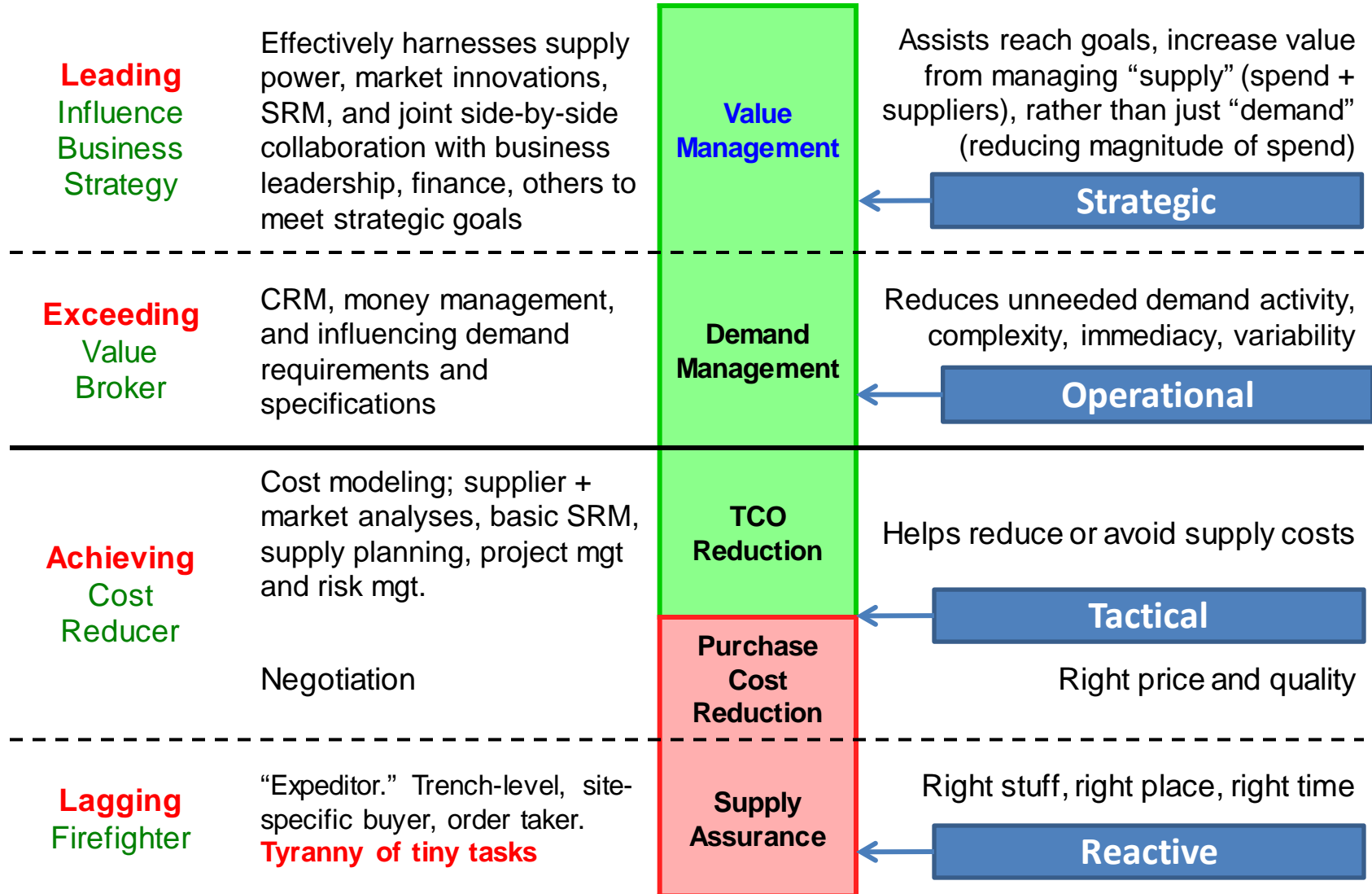
internet



Increasing value and supply-side capability development

**ROLE of Procurement/
Supply Management**

**VALUE of Procurement/
Supply Management**



VALUE

Missing element – *defined in the eyes of a Customer*

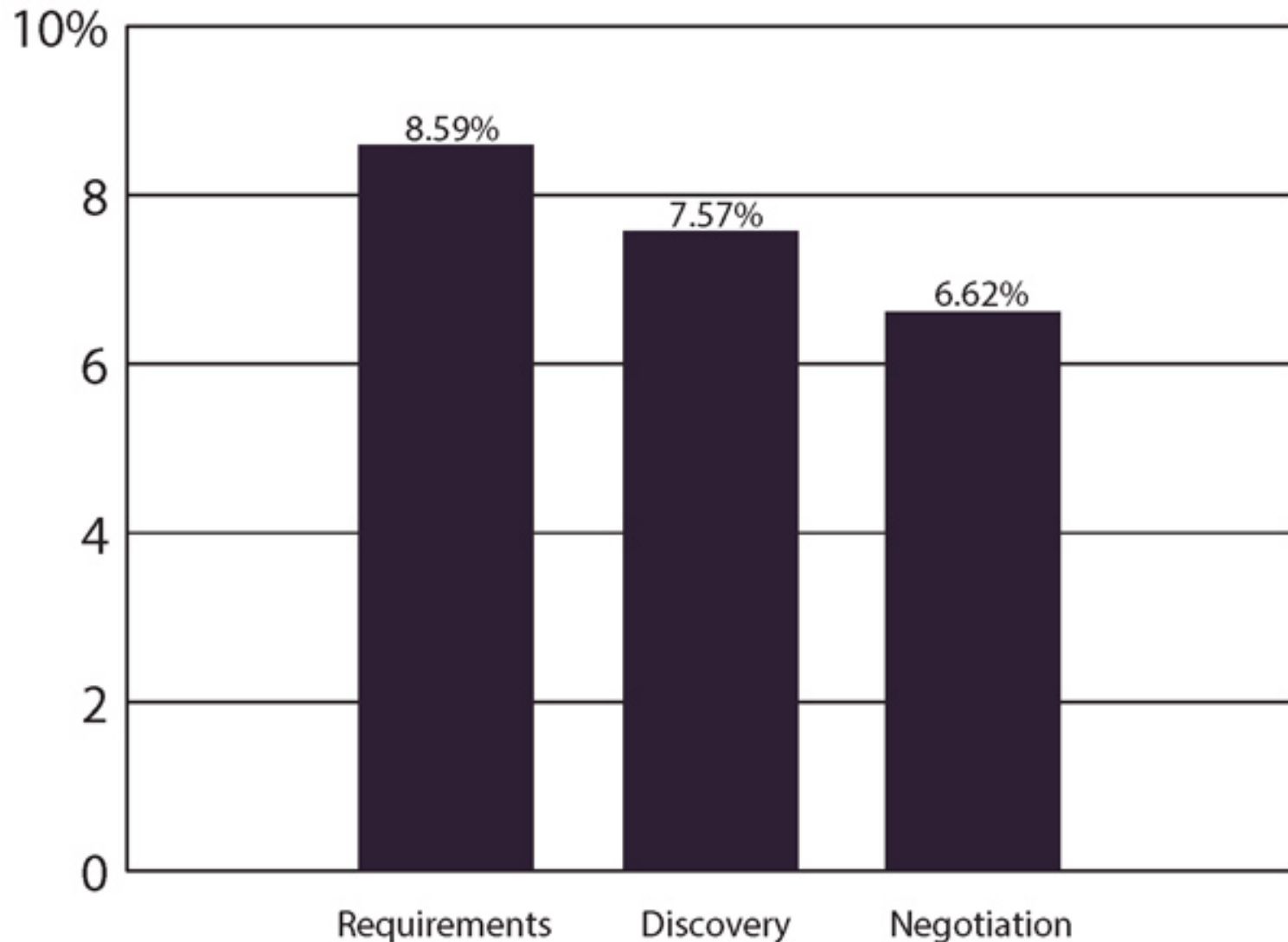
- Procurement-led improvements tap supply-side power to increase expenditure value (get more out of expenditures) to meet demand-side needs
- Two options increase the value of supplier expenditures:
 - Decrease *expenditure magnitude*
 - Increase *utility of expenditures* to better support end-user/stakeholder/business objectives

End the practice of awarding business on the basis of price tag. Instead, minimize total cost. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.

W. Edward Deming (1986)

Early Spend Influence ROI

Sourcing savings based on stage of procurement involvement



Source: Institute for Supply Management, Spend Matters, 2015

The Lesson Public Procurement Can Teach Everyone

There's one function that knows how to treat its customers

*When it comes to the world of public procurement, acquisition executives and staffers do not see themselves as the customer, keeping their focus instead on the ultimate needs, desires, and constraints of the ultimate user of these things—their **internal customer**.*

*Their focus on their **internal customer** is most times unrelenting and—to my experience—unique.*

David Wyld July, 2015

<http://publicspendforum.net/the-lesson-public-procurement-can-teach-everyone/>

TOP SECRET

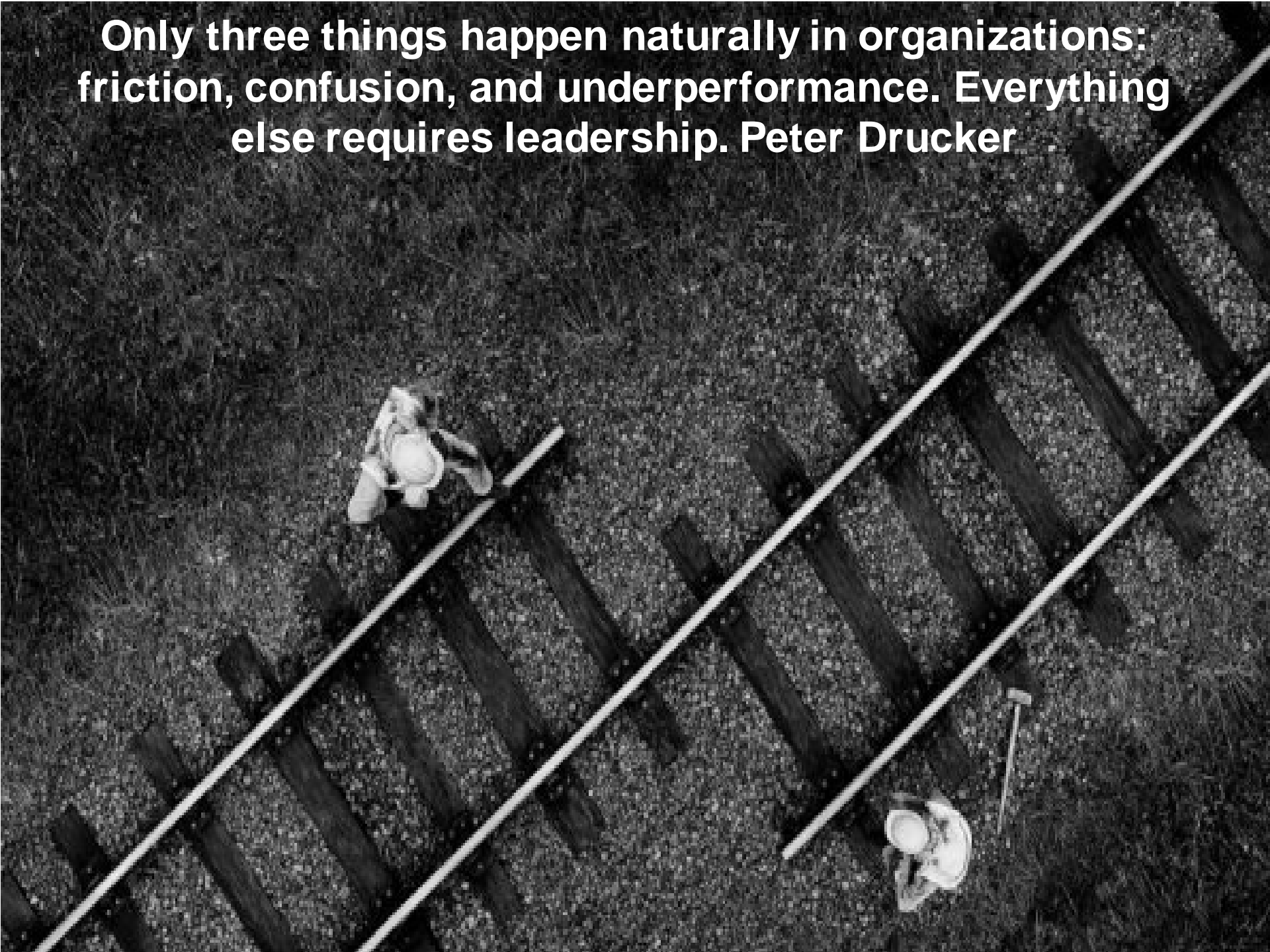
OUR “PLAN”

- Alignment
- Category Management
- Supplier Relationship Management
- Technology
- Talent

TOP SECRET

The only true measure for success of any plan or strategy is in its execution

**Only three things happen naturally in organizations:
friction, confusion, and underperformance. Everything
else requires leadership. Peter Drucker**



“As a CPO, you probably spend 80 per cent of your time selling your change project, or changing suppliers, to top management, and 20 per cent of your time negotiating with your suppliers...”

Xavier Cassignol, CPO, Coveris

Alignment

Mission – People – Processes

- Define “enterprise”
- Identify mission and focus on goals
- Align to strategic needs / stakeholders - suppliers
- Identify / manage / align your strengths/resources
- Plan/organize to meet “enterprise” goals/needs

*The success of a deal comes from more than just getting the best cost. It's also measured by **quality** – is the relationship an asset or a liability?*

*Does the contract enable your organization to achieve its **strategic goals**?*

Sara Cullen, Ph.D. The Cullen Group

PwC Supply Chain Survey

Strategic alignment, capabilities development, and financial performance

Of all companies surveyed, 61% found the following functions as the greatest drivers to achieving strategic goals:

- 72% - Supply Chain Management and logistics
- 68% - Procurement
- 56% - Finance, HR, and IT

To be successful, businesses must design operations around their customers

Procurement must become relevant to the wider business in order to be truly successful.

John Paterson, IBM CPO – Lifetime Achievement Award winner

The challenge for CPOs and their teams is to figure out how best to engage the budget-holders in proactive planning discussions and formalize their levels of interaction and support.

Ardent Partners Ltd.

Category Management

“Broader than Strategic Sourcing”

- Focus on relevant strategic business alignment
- Define “categories” relevant to business needs
- Relate categories to business mission/goals
- Relate to internal leaders + external suppliers
- Focus and plan on resources relating to your value/strengths (“accentuate the positive”)
- Continually engage key stakeholders to plan and organize how to best meet business needs

There is no more
B2B or B2C.

It's H2H:

Human to Human.

© 2011, 2012, 2013

Supplier Relationship Management

- All suppliers key, but leverage strategic partners
- Encourage partnerships with governance that provides insight and encourages innovation
- Define and institutionalize formal processes
- Clarify roles and responsibilities
- Identify processes that manage outcomes
- Help suppliers build their capabilities and improve **their** value delivered to **your** customers

Business success is based on two things: relationships and patience.

Relationships must be built and maintained.

Regis McKenna

*Strategic Sourcing is the business process that leverages procurement process **automation tools** to quickly identify, evaluate, negotiate, implement, and adjust the optimal mix of goods and services that best support the constantly evolving objectives of the enterprise.*

Ardent Partners

Technology

- Disruption
- Transparency
- Efficiency
- Mobility
- Contract Management
- Cloud
- VMS
- Data
- Innovative Data Leveraging
- Insight
- Strategic sourcing
- Social
- Communications
- Agility

Procurement analytics enables the journey to creating procurement value

Question:

“But what if we train and educate our supply chain people and they leave?”

Answer:

“Worse yet, what if we do not train and educate them...and they stay?”

Alan Milliken

Talent

There's no such thing as an overqualified candidate

- Competencies
- Recruit
- Develop
- Train
- Educate
- Recognize
- Organize

Good Procurement is a Talent

Not just an organizational “function”

- Skilled competencies
- Assess and analyze requirements
- Understand / assess commercial alternatives
- Solicit / select competitive offers
- Negotiate / manage structured, balanced, agreements and relationships
- Deliver effective / valued business solutions

Success

The common denominator of every successful endeavor is *unity of effort* among all parties involved.

When you achieve *unity of effort*, then all things are possible and success is the outcome.

The Mission, the Men, and Me – Peter Blaber, Delta Force

Success, like value, must be defined in the eye's of your customer.



Poor



Average



Excellent



Thoughts for the Coming Year

- **Be proactive – not reactive - exercise leadership**
- **Understand, assess, apply, and focus on FIVE key principles**
- **See Procurement as leadership enabler**
- **Rethink/redefine Procurement's mission, role, and purpose**
- **Think BIG! ...in enterprise terms, and 360° views**
- **Avoid the terrible tyranny of tiny tasks T⁴**
- **RELATIONSHIPS!** Everything connected today – CONNECT!
- **Assess internal, adjacent, and external opportunities**
- **Innovate! key drivers**
 - **Technology**. Moore's law – processing power doubles every two years
 - **People**. Imagination, creativity, opportunity - RELATIONSHIPS

Next Year Assignments

- The Procurement Value Proposition (Handfield)
- Off Balance On Purpose (Thurman)
- Strategic Sourcing in the New Economy (Vitasek)
- Procurement at a Crossroads (Hansen)

Last Year Assignments

- Art of the Deal (Trump)
- Art of Woo (Shell/Moussa)
- Great by Choice (Collins)
- Never Fly Solo (Waldman)
- Start with Why (Sinek)
- Turn the Ship Around (Marquet)

Objective

Ensure your organizational procurement strategy is successful.

Challenge

Next year discussion – using the five “Keys to the Game” how was your strategy successful?

What worked, how, why/why not, etc.?



LEADERSHIP HAS NO FINISH LINE

May you have the hindsight to know where
you've been,

The foresight to know where you are going,

And the insight to know when you have gone
too far.