

# PROCUREMENT TRANSFORMATION ROADMAP

Transforming Arkansas Procurement into a Best in Class Organization

DFA – Office of State Procurement

**PUBLIC PROCUREMENT – Empowering the State to carry out its public purposes in a fair, efficient, and cost-effective manner.**

**What can the Department of Finance and Administration (DFA), Office of State Procurement's (OSP), do to make this a reality as well as a public perception?**

# THE IMPORTANCE OF VISION

Alice: “*Would you tell me, please, which way I ought to go from here?*”

The Cheshire Cat: “*That depends a good deal on where you want to get to.*”

Alice: “*I don't much care where.*”

The Cheshire Cat: “*Then it doesn't much matter which way you go.*”

- Lewis Carroll, Alice in Wonderland

# OUR VISION – WHERE WE WANT TO GO

The DFA OSP *vision* of the future state of procurement:

- ▶ **Effective**

- ▶ Producing desired results through a highly skilled and trained workforce

- ▶ **Efficient**

- ▶ Producing desired results with less time, effort, and materials through talent, technology and process optimization

- ▶ **Strategic**

- ▶ Planning, preparing for, and pursuing continuous improvement in procurement effectiveness and efficiency. The calculated pursuit of excellence as a goal.

# Pursuing Excellence – Planning & Performing



# Pursuing Excellence

*“How do you get to Carnegie Hall?”*

*“Practice, practice, practice.”*

- ▶ Great athletes train to get fit and stay fit – training is key to peak performance
- ▶ Training needs to be a continuing effort in order to yield continuous improvement
- ▶ Tips from and accountability to a coach (a source of outside expertise) can help motivate continued training and improved performance

# THE PURSUIT OF EXCELLENCE – LAYING THE FOUNDATION

In order to realize our vision of transforming DFA OSP into a best in class procurement office that is **effective**, **efficient** and **strategic**, the State's procurement staff **will need continuous best in class training**.

This training will have to do more than merely cover the basics of complying with procurement law, it will have to teach procurement specialists about strategic sourcing, market analysis, effective negotiation, project management, contract performance, advanced specification writing, risk mitigation, key contracting concepts, and vendor relationship management.

Before this training can be delivered, it needs to be developed. That will require an investment in recruiting outside expertise.

# THE PURSUIT OF EXCELLENCE – SHARING THE VISION

After the training is developed, it needs to be delivered across the State. Basic training needs to be delivered to a broad base that includes all persons who have the power to purchase. There are 6,606 P-Card users across the State, 2,211 of which are in State agencies. Reaching such a broad base requires a comprehensive communication strategy.

Developing an effective communication strategy will require considering who needs to know what information, when they need to know it, and how it will be delivered to them.

# THE PURSUIT OF EXCELLENCE – ASSESSING PERFORMANCE

Delivering training can help procurement staff be more uniformly effective, but training doesn't show measurable results *unless you **measure the results***. DFA OSP will need to track performance metrics to assess the efficacy of the training it delivers.

DFA OSP will need a team of people it can deploy to assess the procurement activities of agencies and staff to **identify** any **deficiencies** that can be addressed through **targeted** corrective **training**.

To be more effective, DFA OSP will also need an eProcurement tool that can make purchasing data more visible and analyzable. The eProcurement tool can also help DFA OSP be more efficient by allowing agencies to self serve a high volume of low dollar purchasing.

# THE PURSUIT OF EXCELLENCE – ENFORCING STANDARDS & REINFORCING PERFORMANCE

In order to establish required training and enforce procurement standards, the power to procure will need to be tied to certification. This can be done through delegation orders.

Since not all purchases involve the same amount of cost, risk, or complexity, it would be inefficient to over-train state employees who will only be handling routine purchases in relatively small amounts. By the same token, it would be irresponsible to under-train state employees tasked with making high-risk, high-cost purchases. DFA OSP intends to address this by making the training and certification program a three tiered program with training levels tied to the level of purchasing authority the procurement official will need.

# 3 TIERS OF TRAINING AND CERTIFICATION

- ▶ The training and certification program will be based on a three tiered model.
  - ▶ Level 1 – Transactional
  - ▶ Level 2 – High-Cost Contracts / High-Spend Areas
  - ▶ Level 3 – IT / High-Risk
- ▶ Level 1 training will be more tactical – the basics of how to procure
- ▶ Level 2 training will be more strategic – more advanced, how to procure strategically
- ▶ Level 3 training will build on advanced concepts from Level 2 and add greater depth to project and risk management.

# TIERED PROCUREMENT MODEL



# TIERED PROCUREMENT MODEL IN SUM

- ▶ Transactional
  - ▶ Tactical buys – common items purchased by agencies in relatively small quantity batches
  - ▶ Low purchasing complexity – price driven
  - ▶ Low to no touch for OSP & high self -service for each agency
- ▶ High-Cost Services / High-Spend Commodities
  - ▶ Using strategic sourcing, market analysis, & negotiation to help realize value and savings where buying power can be leveraged to establish strategic statewide contracts
  - ▶ Higher purchasing complexity – more difficult to evaluate, which means increased risk for procurement
  - ▶ Moderate touch for OSP and high self service for each agency
- ▶ High-Risk
  - ▶ Large IT procurements and other high-risk procurements
  - ▶ Contract risk mitigation strategies essential
  - ▶ Partnership between OSP and agency (high touch)
- ▶ **OSP will need to revise its organizational structure in order to better align with this model and deliver state of the art training for continuous improvement.**

# TRAINING AND CERTIFICATION

- ▶ Level 1 – Transactional
  - ▶ Training will be geared towards users that enter purchase requisitions and make small purchases
  - ▶ Courses will cover basic procurement information including:
    - ▶ Thresholds
    - ▶ Methods of purchase
    - ▶ Procurement policies
    - ▶ P-Card policies
    - ▶ eMarketplace
    - ▶ AASIS how to's (will transition to eProcurement how to's)
  - ▶ The desired outcome is to develop solid competency at the agency level to streamline transactional purchases. The goal is to provide the agency a high level of self service with little to no involvement from OSP in relation to the procurement.

# TRAINING AND CERTIFICATION

- ▶ Level 2 – High-Cost Contracts / High-Spend Areas
  - ▶ Training will be geared towards users that conduct moderate complexity procurements (i.e. statewide contracts, technical and professional services, etc.)
  - ▶ Courses will cover more detailed information including:
    - ▶ Information covered in Level 1
    - ▶ Contract law basics
    - ▶ Specification development
    - ▶ Evaluation and award
    - ▶ Negotiation
    - ▶ Contract Management
    - ▶ Market Analysis
    - ▶ Vendor Analysis
  - ▶ OSP will also offer a sub tier for Director level employees regarding (non-mandatory):
    - ▶ Procurement planning and strategy
    - ▶ Program management
    - ▶ Basic procurement information
  - ▶ The desired outcome is to develop a high level of competency at the agency level to conduct procurements up to a delegated dollar amount. The delegation may also be restricted to specific types of commodities and services.
  - ▶ OSP Procurement Specialists will be required to achieve Level 2 certification

# TRAINING AND CERTIFICATION

- ▶ Level 3 – IT / High – Risk (\$10 million or more total contract value)
  - ▶ Training will be geared towards users that routinely develop complex procurements, including IT. This will be the smallest group of users, but also those that conduct the highest risk solicitations.
  - ▶ Courses will cover advanced procurement information including:
    - ▶ Level 1 and 2 information
    - ▶ Procurement planning and strategy
    - ▶ Advanced contract law
    - ▶ Risk mitigation
    - ▶ Performance management
    - ▶ Project management
    - ▶ Advanced negotiation
    - ▶ Lifecycle management
    - ▶ Developing IT statements of work
  - ▶ The desired outcome is to develop an expert level of competency in order to conduct successful procurements. These procurements will require a partnership between the agency and OSP.
  - ▶ OSP IT buyers will be required to achieve Level 3 certification

# STRATEGIC TRAINING ASSESSMENT & REVIEW

A TEAM OF DFA OSP STARS WILL



- ▶ Conduct agency procurement assessments (health checks)
  - ▶ Assess health of agency procurement with diagnosis, treatment, and outcomes.
  - ▶ Use initial assessments as benchmarks.
  - ▶ Work in coordination with training development staff to provide pointed training to help agency meet and exceed benchmark during next scheduled review.
  - ▶ Help ensure agency alignment around strategic vision and State procurement standards.
  - ▶ Identify strategic opportunities, develop procurement plans.

# STRATEGIC TRAINING ASSESSMENT & REVIEW

(CONT.) A TEAM OF DFA OSP STARS WILL



Prepare & continually update state of the art procurement training content based on assessments, metrics, best practices, & latest developments

Deliver the training content in effective (and cost-effective) mediums - high impact eLearning solutions coupled with simulations, and testing for Tier 1, with the addition of more extensive training and testing for Tier 2 and Tier 3

Continually evaluate business processes and policies for increased efficiency and effectiveness

Work with agency leadership on strategically important procurements

This holistic approach towards procurement reform is aimed at more than training people how to comply with procurement law, it is aimed at helping agencies achieve optimal procurement efficiencies through continuous improvement in quality, service, and performance.

# TECHNOLOGY IMPLEMENTATION – TOOLS PLUS TALENT

To be a best in class procurement office, DFA OSP not only needs well trained people, it will need an eProcurement solution that allows it to dedicate more of its resources to higher value procurements, and that empowers agencies to handle low value transactions through self-service in a catalog and eMarketplace. eProcurement tools with data analytics and contract management capabilities can support Tier 2 procurement officials in the performance tasks essential to strategic planning and contract management.

- ▶ **Benefits of an eProcurement Solution**

- ▶ Making acquisition easier
- ▶ Making more data available and accessible to better inform strategic decision making
- ▶ Enabling better contract management by better tracking, automating part of the process, and increasing visibility of vendor performance
- ▶ Decreasing transaction costs and time through the elimination of manual, or paper-based procurement for small purchases
- ▶ Eliminating multiple and redundant systems to streamline procurement processes
- ▶ Facilitating better vendor reporting (and greater compliance with contracts) through automation