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The procurement manager's dilemma ...and what to do about it

by David T. Swift

It's not a lot of fun being a government procurement manager these days!

Within many government organizations, procurement risks, procurement complexity and client expectations are on the rise. At the same time, the capacity of many procurement groups to respond to these challenges is in decline.

What is causing this dilemma, and what can be done to reverse it?

... the procurement process within all levels of government is becoming increasingly complex

To answer this question, it is important to understand the developments and changes that

are taking place within the government procurement environment of 2009.

Procurement complexity

At the risk of under-stating the situation, the procurement process within all levels of government is becoming increasingly complex with each passing year.

At the federal level alone, Public Works and Government Services Canada (PWGSC) has identified that there are now more than 35 separate acts of Parliament that in some manner impact the conduct of procurement activities.

New trade agreements, each with their own procurement implications, are currently being considered in addition to existing trade agreements. On top of this, new land claims

agreements are forthcoming, as are additional determinations from the Canadian International Trade Tribunal (CITT), as well as a number of procurement cases currently before the courts.

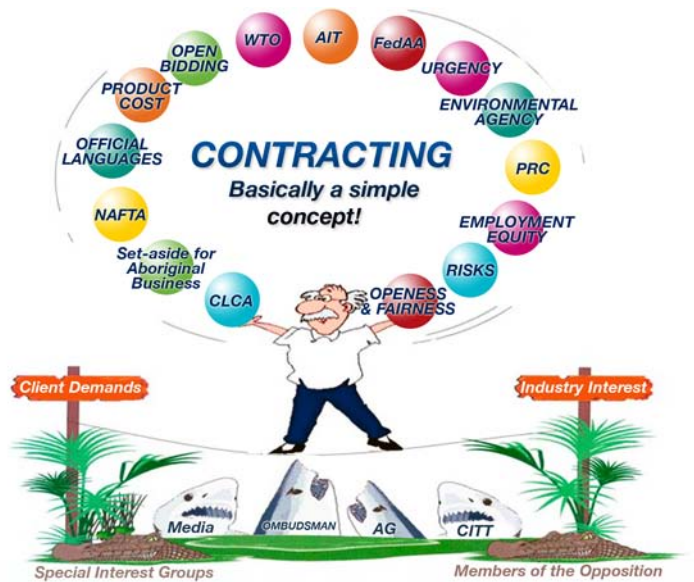
At the federal level, policy interpretations on contracting authorities, Aboriginal procurement, indemnification, intellectual property, contract amendments, mandatory contract mechanisms and a host of others are each in play. Similar circumstances can be found at the provincial, territorial and municipal levels of government as well.

Procurement risks

As the level of sensitivity surrounding procurement activities continues to escalate, procurement managers throughout the Canadian public sector are seeing increases in a number of procurement risk indicators.

Legal risks related to procurement, including the likelihood of formal bid challenges and contractor litigation, are on the radar screens of many government legal advisors.

Operational risks stemming from procurement related project delays occupy the thoughts (and create a certain amount of heartburn) for many government program managers. Auditors and financial managers are typically focused on the financial risks related to contract cost escalations, while senior management is always concerned about the reputational risks associated with negative media coverage and critical audits in relation to the procurement activities of their organization.



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Transaction volumes

Across Canada, both the number of procurement transactions and the total dollar-value of government contracts has been steadily increasing during recent years. Combined with this, reductions in the thresholds at which most government organizations will now award non-competitive (sole source) contracts have added to the internal workloads imposed on many procurement groups.

Client expectations

Procurement managers are contending with growing demands from their internal clients for faster response times and increased levels of service. Delays in executing procurement requests are causing frustration among internal

clients, leading some to lose patience with the procurement process and seek out alternatives. This is especially true among younger Gen X and Gen Y clients, many of whom expect to be presented with more immediate self-serve and/or online service delivery options.

Procurement resources and capacity

While each of the above “demand” factors are on the rise, the resources and capacity within procurement groups (i.e., “supply”) has been in a state of decline for some time.

According to recent demographic research undertaken by the Public Service Commission of Canada, procurement specialists at the federal level are retiring in large numbers, and recruitment and replacement efforts have not kept pace. Many procurement managers across government are reporting staff shortages and position vacancies within their organizations, with the situation in some organizations reaching critical status.

In addition to reduced capacity, the loss of corporate memory in some procurement groups is particularly problematic as the most knowledgeable and experienced staff depart in increasing numbers.

To cope with these changing circumstances, some procurement managers are being forced to make strategic changes in both what their organizations do and how they choose to do it.

Some managers have recognized the problem and accepted that they can no longer rely on

“more of the same” in the new procurement environment – that dramatic changes are required to address the increasing imbalance in demand and supply that is taking place within their organizations.

Faced with no other viable options, some procurement managers have deliberately chosen to focus on selected areas where they can add greater value, while at the same time exiting those functions where this is no longer possible. Many have been forced to abandon the notion that the procurement group can and should be all things to all people (like it was in the “good old days” ...).

To cope with these changing realities, several procurement managers have begun to make changes in one or more of the following areas:

1. Simplifying existing procurement policies

– creating simplified (and often online) versions of their organization’s procurement rules and practices, in an effort to make compliance with rules and standard operating procedures easier for everyone to understand.

2. Modernizing outdated procurement delegations

– updating outdated, inadequate and often incomplete delegation of authorities instruments in an attempt to both clarify “who can do what,” as well as to enable more self-serve options for low-dollar-value and/or low-risk transactions.

3. Creating “knowledgeable clients” – by linking mandatory training to the exercise of

increased procurement delegations, many procurement managers are attempting to reduce risks, achieve increased levels of compliance and liberate their increasingly limited procurement resources from many of the lower-value-added tasks and transactions, by equipping their internal clients with an improved knowledge of the procurement process.

4. Better defining “who does what” (and writing it down...) – in an attempt to minimize confusion and document hand-off delays, as well as to create a more integrated working relationship with their internal clients, process maps and other documents are being developed by procurement managers to better define who does what at each stage of the procurement process.

5. Establishing service level agreements with targets and key performance indicators – at a more formal level, some procurement managers are taking the initiative to work with their internal clients to establish service level agreements, containing reciprocal commitments on turnaround times, quality standards and other performance targets related to procurement activities.

6. Improving and standardizing ALL procurement document templates – to reduce the process delays associated with procurement document production and assembly (i.e. RFPs, contracts, etc.), document templates are being re-designed, streamlined and standardized with the goal of eliminating wasted time and effort.

7. Implementing automated procurement tools – experimenting with new automated procurement tools aimed at enhancing employee productivity, transaction processing speed, compliance with policies and client service.

8. Recruiting new procurement staff (via often overlooked means) – alleviating chronic staff shortages and position vacancies through the use of non-traditional recruitment mechanisms such as Interchange agreements, college-based recruiting programs and others.

9. Organizing around clients (not necessarily commodities) – particularly for smaller organizations, designing procurement organization structures around client organizations (as opposed to commodities) in an effort to minimize frustration for clients and provide a more end-to-end service.

10. Outsourcing non-core procurement functions – bringing in capable and un-conflicted contractors to undertake non-core procurement support functions such as training, systems, technical writing and other related tasks.

11. Implementing annual procurement planning – getting ahead of internal clients’ demands by working to better forecast upcoming and/or predictably recurring procurement requirements before they happen, thus avoiding 11th hour “emergencies” and the


need for procurement shortcuts and/or workarounds.

12. Monitoring results, keeping score and taking corrective action – regularly measuring and recording results against service level agreement objectives and key performance indicators, and taking corrective action where deficiencies are found – being ready for enhanced scrutiny and audits before they happen.

For an increasing number of government procurement managers, doing nothing, complaining or simply asking for more

resources do not represent viable coping strategies in the 2009 procurement environment.

Both internal and external stakeholders are increasingly demanding that the procurement process be compliant, cost-effective, timely and client focused. Increasingly, procurement managers need to meet these expectations in order to be seen as adding value to their organizations.

While many government procurement managers have made significant progress in these areas, a great deal remains yet to be done. 

David T. Swift is managing director of **RFPSOLUTIONS INC.** (www.rfpsolutions.ca), an Ottawa based firm that assists government agencies with Procurement and the RFP process.