

IN MY OPINION

by Michael Asner

Governments should promote electronic commerce through public procurement systems, done in a fully open and competitive environment based on cost-efficient, commercial solutions that are technology neutral.

A Global Action Plan for Electronic Commerce, pg. 31, prepared by Business with Recommendations for Governments, OECD Ministerial Conference, Ottawa, October. 7-9, 1998.

For several years, procurement officers have been under steadily increasing pressure to do more for less, and today's technology increases the pressure even more. But they must still comply with public policy, and ensure that the procurement process is fair and open, that all suppliers are treated fairly and that evaluations are based only on stated criteria. They must follow all the rules established by the courts, yet not delay projects.

And, in the face of all this, procurement executives must move their organizations towards electronic commerce, introduce new processes and train staff. Not a small job, and definitely "work in process."

Meanwhile, Auditor General Denis Desautels recently reported that many federal departments simply ignore the rules and "current practices are not fair and not open." His remarks could be applied, not only to the federal government and the practice of sole-source contracts, but to procurement practices in most provinces and many local governments as well.

Needless to say, purchasing officials across Canada have some concerns about all this. Recent discussions with many of them, about the issues, challenges, and problems they see themselves facing, generated these comments among others:

"One of our problems is convincing senior management that we must keep pace with the continuous changes in the procurement field."

"In the next 12 months, we expect massive changes, small changes almost daily, centralization and downsizing together."

"[By downsizing,] we will lose knowledgeable workers with specialized knowledge and there is no room for 'humanity.'"

“Educating suppliers is a major issue.”

“We have limited resources and expanding responsibilities.”

“Barriers to progress are money, staff resources and staff skills.”

These remarks highlight an emerging theme – lowered expectations. Many procurement executives are resigned to an environment in which they have too many responsibilities and there’s too much change with too few resources – an environment in which they can not succeed.

Despite that, these same executives know that procurement can add significant value to a project. In addition to defining and running the process, acting as the orchestra leader, a procurement officer can perform many valuable functions:

- assist in defining requirements
- assist in structuring the project
- ensure that corporate policies are followed
- assemble suitable terms, conditions, instructions and special provisions
- identify the need for special expertise
- plan and conduct negotiations
- handle irregularities in the process
- create corporate standards for the process
- and promote agreement among the stakeholders on major issues.

With little time, energy or resources available, only the highest priority, most risky or most politically visible procurements receive close attention. Competition for remaining resources is fierce, and often significant projects, and procurement reform itself, are left under-funded and understaffed. Simply put, not enough time, money or energy can be devoted to making necessary changes occur.

Discussions with some colleagues on this pervasive problem – essential services reduced or eliminated by shrinking budgets and timetables – recalled recent procurement reform in California, where steps have been implemented to prevent information technology (IT) disasters. Now all major IT projects require independent validation and verification (IV&V). Under this program, the state hires a third party to evaluate and monitor IT project plans, budgets and progress. The cost of this value-added service is included in the original project budget. (This oversight function led to an \$18 million repayment from one supplier when a project went sour).

This notion of a third party charged with evaluating and reporting – and funded by the project – is valuable and should be considered in the context of procurement reform.

Here’s how it might work. Let’s consider a scenario where we use an RFP to acquire a new piece of software at an estimated cost of \$300,000. The project planners would budget an additional

amount, say five per cent or \$15,000, for procurement services. This \$15,000 would then be used to either pay the purchasing department for review services (at a *per diem* rate) or hire an outside organization to do the work. This amount could fund the services of a procurement officer during the entire procurement process. For this fee, the procurement officer would perform many of the value-added activities, which might otherwise be eliminated.

Typically, the costs of the services provided by the procurement department are charged to a departmental budget – that is, they are an overhead expense. The project does not pay for this work. It makes sense to expand the project's budget to include the procurement activities. Procurement then becomes a legitimate expense of the project and is not seen as a 'necessary evil.'

In my opinion, we must find a way of funding essential procurement services to ensure that each competition is fair and open and that the project is successful. California found a solution – increase the project's budget to include the services of a procurement officer either from existing staff or from an outside organization. It isn't a radical change, but it is worth discussing.

[Michael Asner](#), based in Vancouver, is internationally recognized as a procurement expert. He authors *The RFP Report*, published in Canada and the US, is a regular columnist in *Reseller* magazine, a Sacramento-based publication and authored several books on procurement including *The Request for Proposal Handbook* and *Selling To Government*. He recently launched a new website, www.proposalsthatwin.com.