Ontario leads the way

The evolution of a modern public sector procurement organization

by Dan Warn

Public sector procurement is on the cusp of massive transformation. Other countries – the UK, Mexico, Italy and France to name a few – have already taken major steps to modernize the procurement process from start to finish.

Now, Ontario is leading the way and raising the bar for other Canadian provinces and the United States. In fact, The Ministry of Government and Consumer Services (MGCS) has launched a modernized, streamlined procurement process that is open, fair, and transparent. The initiative includes the creation of a new end-to-end online eTendering (eSourcing) solution to manage its annual expenditure of more than $6 billion on goods and services, with more than 55,000 vendors. The solution is currently live and available to more than 800 Ontario public sector entities that make up the broader public sector (BPS).

The question at hand: is the rest of Canada’s public sector ready to follow suit and take advantage of the opportunity to participate in this global procurement transformation?

While public sector procurement’s transformation will be enabled by technology, the success of any transformation is largely determined by people and processes working in concert with the technology.

A roadmap for long-lasting success

Change is always hard, but a focus on training and communication can turn hesitant, skeptical users and suppliers into true champions of this new normal. Here are three ways to improve adoption and start seeing stronger results, faster.

1. Build stakeholder engagement and adoption.

Procurement teams must see government leadership’s vision and truly understand why change is happening now. Change for change’s sake just means additional work and hassle for buyers and suppliers, but if users can see how the new processes and systems will make their lives easier, that’s a different story. Setting smaller, incremental goals throughout the transformation process helps users see how impactful the final payoff will be.

The most successful organizations place high premiums on understanding how procurement transformation will affect their cultures, as well as their supplier communities, and proactively address potential adoption and change management challenges. Establishment of a change management and adoption framework that identifies each individual stakeholder group impacted by the transformation, and a communication and training plan for each group that addresses each step of the transformation process, is critical to the success of any procurement modernization. Additionally, the transformation and change management plan should be rolled out in phases and consistently monitored with key metrics in order to measure success or adjust the course, if necessary.

Ontario and other global public sector procurement team’s initial successes are a direct result of the forethought put into people and processes in addition to the technology.

2. Create a tiered rollout plan for faster adoption.

One-size-fits-all training plans do not work in the real world. While administrators, suppliers and users with varying job functions will all need to be trained on the same new technology and processes, they all have different backgrounds, technical prowess and roles.
It’s critical to create training programs and materials that reflect these variances. Tiered, blended approaches should be tied to each specific audience, including one-on-one support, FAQs, online training materials and a dedicated help desk. Change is a lot easier when employees know they have a support system in place, led by people who understand their challenges and what’s needed to be successful. The result: faster adoption by more users.

Like training, rollout plans for new systems and technology should also be tiered and customized. When users have varying technical experience, a phased implementation strategy allows for easier, more successful acceptance for both internal users and suppliers.

For instance, government procurement teams will often start by only posting opportunities online, while continuing to handle the rest of the process offline (as done in the past), before rolling out the full eSourcing process. Users and suppliers can move at a comfortable pace and really master the new sourcing technology and process. Many users find these new solutions to be vastly superior in terms of ease of use and functionality over legacy or home-grown systems. By automating these processes, users also benefit from the elimination of costly and time-intensive manual processes, which further helps accelerate adoption and obtainment of the full value of new solutions.

A great example is the government of Mexico, which confronted user adoption problems head on. Despite making a large investment in a new eSourcing platform a few years ago, adoption rates were unacceptably low. Post-deployment surveys showed that procurement employees didn’t understand the tool’s full capabilities and didn’t have a process roadmap for achieving true savings, so most users reverted back to outdated manual processes. However, performance improved dramatically once professional training and certification programs were rolled out. More than 100,000 training certifications were awarded in 2011-2012, and this increase in training improved spend under management by 28x. In 2012, the Mexico central government was awarded the United Nations Public Service Award Winner for Preventing and Combating Corruption in the Public Service, largely because of successful training and solution adoption, working in concert with the eSourcing technology.

Rollout, training and communication plans must be living, dynamic documents that are reevaluated – and adjusted, if needed – throughout the process, so they reflect where users are excelling more quickly than expected and what may need a bit more time.

3. Learn, share and collaborate with global counterparts.

Government procurement teams around the globe are experiencing and overcoming many of the challenges that are impacting Canadian purchasing teams today. There are so many opportunities to share and collaborate with one another globally – or even between provinces.

While one agency may be sourcing a category for the first time, it’s almost certain that someone else within the same government already knows the ins and outs of that marketplace. Public organizations are all on the same team – with the same mission – and peer-to-peer collaboration should be natural.

Mobile and online communities make it easy. Thousands of public procurement executives informally share tips, content and knowledge on a regular basis through country-specific online education networks. Participation has skyrocketed since the economic crisis – growing 900 percent since 2008 – and these networks continue to attract new users and build community across federal, provincial and local agencies, along with private sector organizations.

We’re seeing evidence of this already in Ontario as well. Several BPS entities in the healthcare sector have adopted the new eSourcing solution and are already collaborating on best practices around conducting Requests for Proposals (RFPs). This type of collaboration is resulting in less duplication of effort across entities, improved communication to the supplier community and, ultimately, better value for money to their stakeholders and the Ontario taxpayers.
What a modern procurement team can do

The results are definitely worth the time and resources invested in training, planning and technology. The new model for public sector procurement success delivers on promises of efficiency, transparency, and cost savings, but allows purchasing teams to help drive local and national initiatives.

According to Lee Barter, sourcing and procurement practice leader at Deloitte, “Canadian public sector procurement transformation is not just happening in Ontario. The federal government and multiple provinces such as British Columbia are also in various stages of exploring how to improve the ability for their procurement teams to deliver value. In meeting with public sector procurement leaders from across Canada, it’s clear that there is a national recognition of the importance of this topic, and all are moving quickly to take advantage of a much needed modernization of the procurement function.”

Let’s take a look at a few keys to success for the new procurement model.

Create a more transparent, open bidding process.
The public and suppliers now demand full visibility into procurement events and resultant contract awards. Thankfully, modern systems give public sector buyers complete audit trails from the start of the bidding process to the end, and also give the supplier community complete visibility into all of their interaction with the buying organizations. With all procurement activity housed in one system, rather than scattered through print files, emails and faxes, suppliers and buyers alike will have a one-stop-shop to access the history for every procurement event and every supplier relationship. This dramatically reduces the potential for contract disputes, lowering risks and costs of legal issues – and enables the government to be a lot more transparent with the public about spending.

Implement a streamlined, seamless process for buyers and suppliers.
By using common systems and processes across governments, agencies can uncover common purchasing needs, discover fragmented categories and contractual discrepancies, and drive savings through volume-based discounts and strengthened negotiation power. These efficiency gains allow buyers to focus on more strategic initiatives, like improving vendor relationships and connections to the community.

New systems can also greatly increase vendor participation. Vendors can access up-to-date information on all open opportunities, at no charge, and can be automatically notified of opportunities to bid for the categories of goods and services they can provide.

Drive political and economic initiatives.
Fueling the local economy and reducing the burden on suppliers sits right next to transparency and cost containment at the top of most governments’ priority lists. Public sector procurement has a rare opportunity to align sourcing strategies with broader government priorities – and impact local communities.

Along with increasing the number of suppliers bidding for government contracts through increased access and transparency, procurement teams can also help ensure that governments are working with more local, small and diverse suppliers. Analysis of procurement history lets buyers see exactly how much spend is awarded to these businesses, by each category and in comparison to total spend across each agency and the entire government.

Reduce overhead costs with a sustainable purchasing process.
Imagine a paperless procurement process. That becomes a reality for procurement teams that implement online e-tendering systems and move the entire bidding and award process online. As governments make continued efforts to be more sustainable, eliminating paper from the procurement process is a major victory when you consider that five copies, on average, of thousands of bids in each province must be printed. For example, five copies of a 100-page proposal would cost approximately $250-$450 when factoring in the costs of printing, copying, postage, couriers, and storage.
A paperless system completely eliminates these costs while also providing improved capability, including procurement dashboards and automatic opportunity notifications. Even beyond the cost savings and improved capability, the people using the new solution can now more effectively perform their jobs – a huge advantage over more task-intensive, error prone manual methods.

**How to get evolution started**

Skill development, employee mindset and process excellence are all critical. According to the research firm Gartner, Inc., the right combination of skills, process and technology can improve an organization’s financial performance by 30 cents on the US dollar.

To start the transformation process, critical stakeholders must understand why this change is necessary today, how the process will work and most importantly, what the government and the taxpayers will gain from new investments in procurement teams, systems and tools.

In Ontario, and around the world at other public sector procurement organizations, this transformation is real and happening today. Leveraging their examples and the suggestions offered throughout this article is more than enough to get started. The question is, is your team ready to evolve into a modern procurement organization?

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