

Submission for 2005 Cronin IT Award

**State of Illinois  
Knowledge Management System**

Procurement Agency: State of Illinois, Central Management Services

Date of Implementation: August 2003 to present

Originator: Paul Campbell, Acting Director, CMS

Implementation group: State of Illinois, Central Management Services

## **State of Illinois Knowledge Management System**

As part of Governor Blagojevich's mandate to the Department of Central Management Services (CMS) to revamp procurement in Illinois, CMS has created the Illinois Center for Procurement Resources (ICPR) – "CPR" for procurement staff. The ICPR is a KM System that consolidates procurement resources into one place and creates a community where procurement staff from all agencies and eventually nationwide can obtain information, ask questions, learn best practices, and communicate with each other.

Through a partnership with Microsoft and Microsoft's gold certified business partner Kanalytics, Inc the State will launch the ICPR within Illinois and eventually nationwide. Through the agreement, CMS has joined Microsoft's Solutions Sharing Network (SSN), an online portal that gives the department the ability to increase communication and promote deeper information exchange and collaboration with other departments and government agencies. The State will now have all of its core procurement information centrally housed, leading to greater savings and improved processes, while diminishing the time and cost of creating an entirely new system. Reinventing the wheel is one of the costliest parts of doing business, and given the decentralization that's endemic in state government; it's a huge, continuing problem for state agencies. Ultimately, the goal is to share information with other states in the hopes of establishing a nationwide procurement site that will help procurement officials achieve greater savings, improve processes and diminish the time and cost involved with reinventing the wheel. What would happen if every state agency in every state in the country had access to a nationwide library and communications system that would allow them to see model contracts, negotiating strategies, industry benchmarking and real-time pricing information on everything state agencies need to buy.

With this system a food buyer for Department of Corrections prisons could directly contact their peer in Central Management Services and exchange information on various vendors and purchasing strategies. Everyone would have insight to the way the state just handled his or her media buy. This creates innovation and savings at the concept stage, which is generally lost in big, encumbered organizations. With KM, you capture the conversation and planning, in addition to the results. That's the big-picture view of what KM means to Illinois and other states.

Since its inception, hundreds of research requests have been processed by the CMS KM system. Any member of the procurement staff may submit a research request electronically to the KM research team — and the KM research team assembles and returns benchmarking and industry data, product information, and other states' best practices and analysis on particular purchasing issues.

The process is simple. Within 24 hours of making a request, research staffers scope the request with the requester and begin the research. Once the research is done, KM staffers create a written report that is added to the KM system with a link emailed to the user to force them to access the KM system. This KM library now contains a variety of content including but not limited to research on over 218 procurement categories (e.g. copiers, IT consultants, healthcare, grants, food supplies, metal detectors, office supplies, etc.); training material on topics covering all areas of procurement including vendor negotiations, total cost of ownership, quick sourcing, rapid response, supplier economics and understanding financial statements; templates and checklists for key steps in the procurement process; FAQs; expert lists of buyers within Illinois and other states and links to look up suspended/debarred vendors and other state government solicitations and contracts. External experts, industry subject matter experts and procurement staff from other states, are added as they are discovered. Illinois currently has expert lists from over half of state governments, and codified procurement best practices nationwide. Resources have been allocated to a Procurement Call Center that provides solutions, which are codified and stored in the KM system to be shared with others. Staff is required to access system in order to obtain research data and/or submit a research request. The system also provides staff with weekly reports, contact information, policies, and

procedures. This information is continually updated to ensure the most up to date information is available to procurement staff.

A taxonomy structure was designed to catalog the data. The taxonomies are: Strategy & Performance, Market Intelligence, Procurement Intelligence, Vendor Negotiations, and Experts. The data can be viewed by taxonomy, by category, or by portfolio in ways the entire organization can leverage.

For most organizations, knowledge has become the most important asset. The ability to manage and exploit such intellectual capital can create sustainable competitive advantage – and improve the efficiency in which government is operated. In most state governments, intellectual capital doesn't reside in computers but on paper records, index cards and institutionally within staffers' brains. Companies, such as Dell Computer and Wal-Mart, represent the gold standard for knowledge supply and inventory management. There's no reason state governments can't aspire to that.

At CMS, the State of Illinois is conducting a progressive experiment in public sector Knowledge Management, and the results are already promising especially in an area such as procurement where billions of dollars are spent. With a modest initial investment, Illinois hopes to be the state that launches a nationwide transformation in information sharing that will make taxpayers' dollars go farther. In these times, we have the responsibility to create operating models that work well and will transcend the test of time. If you create a successful system to capture and share best practices not only in procurement but in all areas of government, that becomes a system that serves citizens no matter who is in charge.

When agency procurement professionals were approached with the idea of KM their comments were: "If we had access to benchmarking data, market data and industry trends we could improve our decision making process and likely save a great deal of money in negotiations." "If agencies could share samples of RFP's, contracts, etc, there would be less duplication of work for them and CMS." "In providing support to agencies, we often don't have the knowledge to back up recommendations."

### **Significant benefits to the intended constituents that have resulted from this initiative**

1. Significant cost savings to the State are continually being realized since procurement staff is armed with the knowledge to construct better contracts and negotiate lower rates. The results in such a short time have been overwhelming and leading to substantial savings. All benefits listed are captured in the KM system as part of the process. The following are some results:
  - Keeping vendors honest: A vendor recently told a state agency that it couldn't reduce prices on their next contract because one of its subcontractors was in financial difficulty. A procurement officer contacted KM to determine the health of this contractor. Result: KM did an online search that found that the subcontractor was not only in great financial shape but was also expanding.
  - Debunking myths: An Illinois staffer was told by an official in another state that their state had been sued because of a failure of a product in their use. The requestor wanted to find out if this was true because Illinois was thinking of buying the same product. KM conducted a nationwide litigation search to develop the truth around the procurement. Result: The lawsuit did not exist, so Illinois could go ahead with its purchase.
  - Sole or multiple-source procurement: A requestor wanted justification on a sole source procurement that had been in place for years. Result: KM developed a sourcing strategy to determine that multiple vendors would be best for the procurement from an organizational and price standpoint, reversing years of previous procurement practice.
  - Reopening contracts for the best deal: An Illinois state agency was in the market for commodity soy protein meals. Through KM research, it was discovered that the agency was paying \$23-\$30 more per case than other states purchasing the same product. Result: The Illinois agency was able to

renegotiate the contract for a total annual savings of approximately \$30,000 on this procurement alone. This is one of many examples in which KM has helped to save millions for Illinois.

- A sharper picture: A state agency in need of digital cameras wondered if its exclusive arrangement with a catalog company was the best way to go. Result: KM did research and developed a sourcing strategy for the buyer to select three separate categories of cameras that could best fit the needs of particular staffers and negotiate a more favorable price based on the narrower selection.
- Negotiating lower rates: Various state agencies were utilizing the same vendors' services at different rates. KM assisted in gathering research on state agency usage, industry statistics and benchmarking data to eventually award a master contract with the best-valued temporary service vendors. This led towards the achievement of approximately \$3 million in savings on one contract.

2. The KM Division minimizes reinvention and knowledge evaporation, improves collection, codification and sharing of knowledge by avoiding the brain drain and efficiently managing the best practices for an improved working environment.

Every four years, state governments can face turnover in leadership and staffing. That means that knowledge gathering and management is a critical mission for all state agencies that want to conserve resources and best practices in both good and bad economic times.

There has been a significant cultural change within the procurement community. Before, communication between CMS procurement staff members was rare, but communication between procurement staffers at various agencies was nearly nonexistent. This has changed with the development of KM. State procurement staff not only utilizes the KM system to obtain knowledge but they provide knowledge back to promote the development of best practices. Communities of Practices (CoPs) have been developed with the State Purchasing Officers (SPOs). SPOs meet and information shared among these groups is documented and stored in the KM system.

All employers – not just state governments – are facing a major knowledge drain due to the massive retirement numbers expected from the Baby Boomers in the next 20 years. Organizations need to harness this wealth of experience and ideas before this valuable institutional knowledge leaves the building. A KM system that gets this particular division of the workforce to leave its knowledge behind will more than cover its initial investment. That's not even counting the value of the archived knowledge that will come afterward.

3. Business functions are integrated with related knowledge creating a connected and continual learning environment.

In Illinois KM has been integrated into every day procurement practices.

## **Conclusion**

The implementation of KM was a significant change within state government with a small investment cost. The KM practices employed have not been found to be utilized in any other state government's procurement area, yet the importance and value of KM in procurement is significant considering states spend billions in procurement. Implementing KM in procurement is a great opportunity for the government to realize cost savings in an efficient manner without a significant dollar investment.

Illinois will be taking our model to create a nationwide KM system to assist procurement professionals with codified knowledge and a taxonomy structure.