

Savings, revenue, and streamlined processes highlight the first 18 months of the State of Georgia's Procurement Transformation Initiative

It has been over a year since Governor Perdue launched the Statewide Procurement Transformation Initiative – an effort expected to last through 2009. With the support of the Procurement Transformation Initiative team and A.T. Kearney, the management consultant partner, State Purchasing has implemented new contracts, renegotiated existing contracts, issued multiple electronic Requests for Proposals, improved procurement policies and procedures, enhanced the training programs, revised the organizational structure, upgraded internal e-procurement software and purchased new applications to support the overall purchasing function.

Among the highlights of the last 18 months are the following:

- **Over \$30 million in annual savings have been achieved:** With the concerted efforts of the State's collaborative cross-functional sourcing teams, the Procurement Transformation Initiative has generated over \$30 million in annualized contract savings, and a clearly defined savings target of \$135MM in year over year savings and \$400MM in cost reductions over the next three years. These savings were achieved through multiple newly awarded or renegotiated contracts for packaged software, personal computers, industrial gases, industrial paint, office and educational furniture, temporary IT labor, office supplies and express mail delivery.
- **Enhanced Policies and Procedures:** Using a data-driven methodology to determine spend patterns and research market forces, the state has been able to consolidate vendor bases, pool commodities and incorporate geographical considerations into contract formation. An improved negotiation process has been implemented that allows the State to negotiate both service level and price resulting in obtaining the best value for the State.
- **Modernized organizational structure:** State Purchasing buyers are organized along purchasing categories rather than purchasing processes. The newly transformed organization includes a unit dedicated to analyzing the State's purchasing patterns. This has yielded benefits such as improved service level, greater convenience for the customers, and enhanced reporting requirements resulting in more accurate tracking of savings and contract compliance.
- **New eProcurement Software.** The State has purchased various PeopleSoft modules that provide for online catalogs, solicitations and bid submissions, and automated contract management. Implementation planning is underway which will ultimately transform and enhance the State's procurement organization's capabilities.
- **Georgia Procurement Training and Certification Program:** A cross-agency Training Review Council has been established to guide the Georgia Procurement Certification Program. Additional training courses and delivery methods are being implemented to enhance the State's Procurement Training Program. Supplementary courses are being created in cooperation with national professional procurement organizations.

The Department of Administrative Services, which houses the statewide purchasing function, maintains information about the Procurement Transformation Initiative on its web site at <http://statepurchasing.doas.ga.gov/transformation>.

The State of Georgia appreciates this opportunity to present the extraordinary success experienced thus far in our Procurement Transformation initiative with great hopes to further the savings and efficiencies already identified.



Procurement Transformation Initiative

submitted by

State of Georgia Department of Administrative Services

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Procurement Transformation Initiative

Objectives

- Demonstrate the magnitude of the State of Georgia's Procurement Transformation Initiative
- Clearly identify innovation, transferability, service improvement, and cost reduction

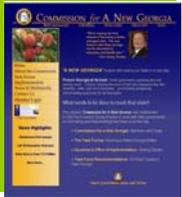
Overview

- Executive Summary
- Organization
- Strategic Sourcing
- Skills and Training
- Process Improvement
- Technology
- Performance Management
- Benefits

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The Governor's Commission for a New Georgia has been the driving force behind the Procurement Transformation Initiative



"The primary objective of the Procurement Transformation Initiative is to (1) perform a thorough spend analysis of the State's purchasing, (2) implement strategic sourcing across the majority of this spend, while (3) simultaneously building the state's capacity to sustain the benefits of this effort into the future"

- Procurement Transformation Initiative Memo: Tommy Hill, Jim Lentz, Lonce Barret, November 22, 2005

The Procurement Task Force, led by private sector representatives, targeted savings of \$135MM by FY '09

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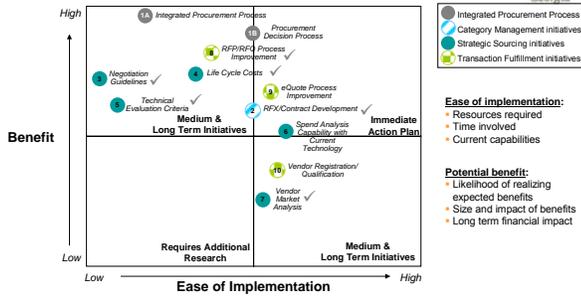
More Effective and Efficient Services to Purchasing Professionals and Vendors



Services Provided to Purchasing Professionals and Vendors

- Utilization of technology-enhancing procurement methods that facilitate the entire solicitation process
- On-line user's manuals to clearly explain these new tools
- Presentations made statewide demonstrating the tools utilizing training database and hands-on techniques
- Substantial improvements to website including "What's New" and contract award announcement sections
- Placement of additional and improved tools for statewide buyers and contract administrators on the State Purchasing website

The team developed and prioritized process improvement initiatives based on ease of implementation and potential benefit



Immediate initiatives included short term solutions followed by longer term programmatic solutions utilizing to-be implemented technology and systems (i.e. eQuote and eBreviate are being utilized until PeopleSoft is implemented)

Lessons learned from the successful implementation of the Procurement Transformation Initiative



Required Action Needed

- Executive Sponsorship and Middle Management Support
- Adequate staffing
- Embed consultants with buyers to ensure knowledge transfer
- Provide timely and effective communications
- Keep focused on change management
- Collect spend data from agencies & vendors
- Raise the skill set and knowledge of all purchasing staff
- Accurately track savings and goals
- Ensure accountability
- Share victories
- Build trust & commitment
- Maintain customer service and satisfaction
