

**How Purchasing Can Add Value**

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2006/2007 NIGP President

NASPO 2006 ANNUAL MEETING  
Boise, Idaho

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**Session Overview**

- Perspectives on Value
- Determining Value
- Short Term Strategies
- Long Term Strategies
- Adding Value in Various Stages of the Procurement Process
- Parting Tips

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**Introduction**

- Overview
  - ◆ Adding Value in Various Stages of the Procurement Process
  - ◆ Tips on Adding Value to Your Organization

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## Introduction

- Session Objectives
  - ◆ Define Value and its Application to Procurement
  - ◆ Learn Ways to Evaluate the Value of Your Operation
  - ◆ Identify Short and Long Term Strategies
  - ◆ Pick Up Some Tools and Techniques

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## Perspectives on Value

- What is Value?
  - ◆ Examples Within Our Organization
  - ◆ Who Do We Perceive as Valuable?
  - ◆ Value Perceived Leaves Impression
  - ◆ Cost vs. Value
    - ◆ Is least cost always best value?

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## Definition of Value

*"Worth in usefulness or importance to the possessor; having utility or merit. A principle, standard, or quality considered worthwhile or desirable."*

American Heritage College Dictionary

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**Perspectives on Value**

- *"The purchasing profession does not produce a tangible product per se. What we have to offer is service and value. Tempering these with world class principles will ensure that we remain indispensable."*

Randy Shearer, CPCM, Modern Technologies Corp.

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**Perspectives on Value**

- Purchasing is a Service Industry
  - ◆ We must provide service and value
- Purchasers Must Ensure Success
  - ◆ We help our agencies achieve their goals
- Value is Determined by Customer
  - ◆ They have the final say

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**Perspectives on Value**

- What is a Customer?
  - ◆ Internal
    - ◆ Departmental Users
    - ◆ Management
    - ◆ Elected Officials

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## Perspectives on Value

- What is a Customer?
  - ◆ External
    - ◆ Business Community
    - ◆ Constituents
    - ◆ General Public

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## Determining Value

- Self Analysis Questions
  - ◆ How Timely is the Procurement Process?
  - ◆ Do We Ensure Quality Goods/Services?
  - ◆ How Helpful is Purchasing?
  - ◆ Does Purchasing Promote Competition?
  - ◆ How Streamlined are Procedures?

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## Determining Value

- Evaluation Tools
  - ◆ Customer Surveys
  - ◆ Audits, Internal and External
  - ◆ Solicit Informal Feedback

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## Evaluation Tools

### ■ Customer surveys results...

#### What's the problem with Public Procurement?

Source: *Doing Business with Government, NY: Paragon House, 1992, page 121*

- Bad specifications, written too narrowly to permit real competition (35%)
- Too difficult to make contact with actual user (31.6%)
- Confusion over individual responsible for specific purchasing decision (26.9%)
- Reluctance to consider new products/services (23.9%)

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## Evaluation Tools

### ■ Customer surveys results...

#### What's the problem with Public Procurement?

Source: *Doing Business with Government, NY: Paragon House, 1992, page 121*

- Specifications written too generally and imprecisely (23.9%)
- Absence of rigorous standards to weed out bad contractors (19.6%)
- Mandated set-aside requirements (13.9%)
- Too many sole source contracts (11.7%)
- Unrealistic delivery requirements (10%)

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## Short Term Strategies

### ■ Communication

- ◆ Improve Your Communication Skills
  - ◆ Written and Verbal
- ◆ Improve Your Listening Skills
  - ◆ Verbal vs. Nonverbal Communication

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## Short Term Strategies

### ■ On Getting Out There Among Agencies:

*"We can talk frankly and that gives us a chance to add value to the process."*

Larry Wellman, CPPPO, NIGP Past President

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## Short Term Strategies

### ■ Communication

#### ◆ User Friendly Documents

- ◆ Bid Docs; T's & C's, Specifications, Contracts
- ◆ Eliminate Legalese and Jargon
- ◆ Clear, Concise Policy, Procedure, & Vendor Manual

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## Short Term Strategies

### ■ Communication

#### ◆ Standardize Specifications

- ◆ Meet Regularly with Users
  - ◆ Get Out of the Office

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## Short Term Strategies

- Cooperation
  - ◆ Active Participation in Organization
  - ◆ Build Interdepartmental Relationships
    - ◆ Goals Identification
    - ◆ Emphasis on Service and Support
  - ◆ Intergovernmental Participation
    - ◆ Regional Cooperative Purchasing
    - ◆ Share Resources, Expertise, and Information
    - ◆ Participate in Regional Meetings

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## Short Term Strategies

- Timeliness
  - ◆ Establish Process Schedules, Stick to Them
  - ◆ Respond to Situations in a Timely Manner
  - ◆ Return Calls and Messages
    - (Wow, I can't believe you called me back!)*

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## Short Term Strategies

- Streamline the Purchasing Process
  - ◆ Delegate Small Purchases
  - ◆ Procurement Cards
  - ◆ Establish Controls
  - ◆ Take the Pain Out of the Process
  - ◆ Remove Roadblocks

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## Long Term Strategies

- Professional Development
  - ◆ Maintain Ethical Standards
  - ◆ Education and Training
  - ◆ Professional Certification
  - ◆ Professional Associations
    - ◆ Public and Private
    - ◆ Purchasing and Non-Purchasing
    - ◆ Industry Specific

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## Long Term Strategies

- Agency Training Program
  - ◆ Conduct Seminars for Users
    - ◆ Develop User Manual and Pocket Guide
  - ◆ Conduct Seminars for Vendors
    - ◆ How To Do Business
  - ◆ Joint Seminars with Other Entities

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## Long Term Strategies

- Develop Cross Functional Teams
  - ◆ Quality Circles
  - ◆ Standards Committee
  - ◆ Directed Work Teams
- Build a Reputation of Accessibility
  - ◆ Invite Feedback
  - ◆ Respond to Criticism
  - ◆ Build Bridges in the Business Community

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## Long Term Strategies

- Develop a Customer Focused Operation
  - ◆ Emphasize Service and Line Functions
  - ◆ Seek Out Staff Support and Buy-In
  - ◆ Lead By Example
  - ◆ Place a Supreme Value On People
  - ◆ Treat Staff the Same as Customers

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## Long Term Strategies

- Develop a Value-Added Mindset
  - ◆ Seek Opportunity

*“Actively and continually search for opportunities to expand and enhance programs within your sphere of influence.”*

NIGP Advanced Public Procurement

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## Long Term Strategies

- Develop a Value-Added Mindset
  - ◆ Resourcefulness
    - ◆ Cultivate a Reputation as a Problem Solving Resource
    - ◆ Expand Your Contacts and Knowledge Base
    - ◆ Economic Awareness, Market Conditions
    - ◆ Industry Awareness, Trends and Forecasts

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## Long Term Strategies

- Develop a Value-Added Mindset
  - ◆ Innovation
    - ◆ Seek Creative Solutions
    - ◆ Investigate Alternative Methods
    - ◆ Avoid “We’ve Always Done it That Way”

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## Long Term Strategies

- Develop a Value-Added Mindset
  - ◆ Make Use of Technology
    - ◆ E-Commerce
    - ◆ Electronic Bidding
    - ◆ Electronic Payments
    - ◆ Paperless Processes

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## Adding Value in Various Stages of the Procurement Process

- Prior to Solicitation
  - ◆ Alternative Procurement Methods
    - ◆ RFP Process
    - ◆ Prequalification
    - ◆ Construction Methods
  - ◆ Specification Development
    - ◆ Standardization
    - ◆ Clear, Concise, and Competitive
    - ◆ Favorable Contract Terms

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## Adding Value in Various Stages of the Procurement Process

- Prior to Solicitation
  - ◆ Cooperation with Department Users
  - ◆ Utilization of Existing Contracts
  - ◆ Opportunity for a Requirements Contract
  - ◆ Discuss Strategies and Options

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## Adding Value in Various Stages of the Procurement Process

- Solicitation Phase
  - ◆ Taking Ownership
  - ◆ Administration of Process
  - ◆ Ensure Bases are Covered
    - ◆ Legal Notice, Budget Approvals
  - ◆ Deal with Inquiries and Protests
  - ◆ Serve as Agency “Buck Stopper”

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## Adding Value in Various Stages of the Procurement Process

- Award Phase
  - ◆ Lead in Negotiations
  - ◆ Safeguard Agency’s Interests
  - ◆ Handle Award Protests
  - ◆ Ensure Contract Execution
    - ◆ Required Signatures
    - ◆ Coordination with Contractor
    - ◆ Bonding, Insurance, Licensing Requirements

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## Adding Value in Various Stages of the Procurement Process

- Contract Administration
  - ◆ Ensure Delivery of Product or Service
    - ◆ Verify Inspection
    - ◆ Don't Settle for Less
  - ◆ Take Care of Disputes
    - ◆ Don't Disappear When Things Go Bad

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## Adding Value in Various Stages of the Procurement Process

- Contract Administration
  - ◆ Handle Contract Amendments, Extensions
  - ◆ Administer Certified Payroll
  - ◆ Price Changes, Requirements Contract
  - ◆ Technology Changes
  - ◆ Progress Payments, Retainage
  - ◆ Contract Close Out

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## Parting Tips

- Learn About Your Using Departments
  - ◆ Spend Time at Their Place
- Give Your User Options
  - ◆ Don't Just Say No
- Know Your Stuff
  - ◆ Be the Procurement Expert
- Involve Users in Your Policy Decisions
  - ◆ Seek Input for Manuals, Procedures

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## Parting Tips

- Be Accessible to Your Customers
  - ◆ Internal and External
- Seek Out Opportunities to Add Value
  - ◆ Be an Intrepeneur
- Take on the Tough Stuff
  - ◆ Protests, Disputes

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## Parting Tips

- Seek Outside Assistance When Needed
  - ◆ Colleagues, Consultants, Auditors
- Take Care of the Business of Purchasing
  - ◆ Perform the Purchasing Function
- Know Your Staff
  - ◆ Be a Teacher, Trainer and Mentor
- Cooperate, Communicate & Participate!

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## Wrap Up

- Questions, Comments
- THANK YOU!

Condensed presentation from:  
Adding Value to the Procurement Process  
An NIGP Technical Seminar

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