2016 NASPO Cronin Award Nomination

IT Procurement Best Practices Playbook

State of Wisconsin

Submitted by:
Wisconsin Department of Administration
State Bureau of Procurement

Executive Summary

In early 2016, the National Association of State Procurement Officials and the National Association of State Chief Information Officers (NASCIO) jointly called for reform in IT procurement. The five major areas of reform were:

1. Remove unlimited liability clauses in state terms and conditions
2. Introduce more flexible terms and conditions
3. Don't require performance bonds from vendors
4. Leverage enterprise architecture for improved IT procurement
5. Improve the Negotiations Process

In the 2015 state CIO survey, The Value Equation, roughly one half (47%) of state CIOs expressed negative outlooks on IT procurement processes.

The call for reform asked IT procurement professionals in state government to take advantage of negotiations and make other procurement process improvements:

- Move away from requirements-based procurement
- Keep negotiations moving forward
- Create a timeline for negotiations
- Start with a business problem-based solicitation
- Minimize mandatory requirements
- Establish model terms as standards
- Develop national minimum standards
- Improve communication
- Conduct market research
- Use demonstrations
- Implement a multiple round selection process
- Permit multiple awards
- Create alternative sourcing processes

In review of this call to action, the State of Wisconsin (as represented by its Department of Administration, Bureau of Procurement) reviewed its own practices as it relates to procuring in IT and telecom markets, and found several areas of potential improvement. For such a large undertaking, where can a procurement office start? Uniform policies, and in most states, the law, govern good buying practices. What about IT procurement is different and can we use the answers to that question to make the improvements necessary to drive innovation and meet our customers' needs?

In Wisconsin, procurement activities occur in a decentralized environment. Our state is "center-led," in that we have a central State Bureau of Procurement (SBOP) that covers administrative functions and leads enterprise contracts. Most of our state agencies negotiate contracts directly and are delegated to conduct these activities on their own, but they rely on SBOP's training program to teach their staff how to conduct procurement activities properly. In the area of IT procurement, DOA and the Bureau must show leadership in a similar fashion as in other areas of procurement.

IT procurement presents unique challenges that require an agile skill set and focus on the part of procurement professional staff, but even the most seasoned IT acquisitions professional will admit that a "one size fits all" solution or strategy will not lead to success in this field because every deal, vendor and market is different. The NASCIO recommendations regarding more flexibility and improving the negotiation process demonstrate that.

Around the same time the call for IT procurement reform was made, the Bureau was asked by the Wisconsin chapter of the National Institute of Governmental Purchasing (NIGP), WAPP (Wisconsin Association of Public Purchasers), to provide a presentation to their membership on the topic of IT procurement at an upcoming conference. DOA, Bureau

staff responded to this request by creating a tool titled "*Best Practice Playbook: IT Procurement*", offering attendees twenty (20) "plays" they could use as deemed appropriate to the situation.

The *Playbook* was well received by the 80+ attendees of the conference, and has been requested after the event by several entities, the majority of which are municipalities and local procurement professionals. The *Playbook* was created as another "tool in their toolbox" and a service improvement to the professional development opportunities that the Bureau was already offering. The principles contained in this resource can benefit Wisconsin, but are also fully transferrable to other states.

With NASPO's focus on IT procurement reform and extending valuable service to local government procurement, this playbook is respectfully submitted to assist in both of those endeavors.

Innovation

The *Playbook* offers an innovative approach to professional development in the state procurement field because it is an easy-to-reference booklet that includes insights into a number of seemingly disparate concepts from various perspectives regarding the management of IT procurement. For example, some plays can be employed when the agent is "on offense", offering insight into how to plan and be a better partner to your IT customers.

We organized the plays in the order they are employed during an IT procurement—before solicitation; during solicitation; after award/negotiations. In presenting the playbook, we also introduced concepts from various procurement classes to connect the playbook to universal procurement practices, while ensuring their relevance in unique IT contracts.

For example, in Play #9: Beware the Bowtie, we provide guidance to agents in managing RFP demonstrations. While demos can be done for non-IT procurements, they are very common when procuring IT solutions and much of the advice was customized to fit the unique challenges of a software or hardware demonstration.

While on Offense
Reinforcing the Importance of Planning in IT Procurement

Play #3: Get Ahead of the Competition

-Vendors are our customers, but they can also be our competition when setting expectations with our internal stakeholders

-Handling vendor-generated demand
 -Focus on the facts—who's asking for this?
-Research consortium contracts
-Vet proposed alternatives to a competitive bid or RFP quickly, and share options with customers

Excerpt from Play #9: Beware the Bowtie

-Remind your teams that you aren't buying the salesperson

-Maintain objectivity and stick to the script

-Watch out for red flag statements

"This is just a test environment, but the production system works the way you've specified, trust us"

"We're planning to release that function with the next version, just in time for when this contract will be getting awarded"

The *Playbook* is also innovative in its presentation—it's fun! This reference book takes on important concepts using a football theme, enforcing the team approach to managing IT procurement. When this book was presented to a live conference audience, it was distributed with a football-shaped stress ball as well, helping the participants to remember the concepts with a memento without relying on an often forgotten PDF or printed slide deck.

This is also the first time employees have been offered state-led training on effective IT procurement practices.

Transferability

Unlike many of our other training and template resources created for running procurements in Wisconsin, this book reinforces best practices, principles and soft skills as it relates to practicing IT procurement in state government. The principles are very portable and applicable regardless of the state in which the material is presented.

The *Playbook* emphasizes the importance of planning and using balanced, informed team approaches to IT acquisitions, including plays that can be used while a team is "on offense" and "on defense". We wanted to reinforce the most important lesson in IT procurement, which is that there is not a one-size-fits-all solution to every deal. Use the play that works best for your situation. For example, it is common in IT procurement to start a negotiation using the base terms of the vendor selected such as an end user license agreement or master services agreement. In Play #12: The Best Defense is a Good Offense, we present best practices in negotiating from either a vendor or the state's starting contract documents. Since this is a challenge likely seen in every state, this play will be valuable in all jurisdictions.

Play #11: Verbal Agreement is Worth the Paper it's Written On

- Live demonstrations, meetings or interviews have the power to change people's minds
- Most vendor licenses and contracts will expressly disclaim the validity of any promises made in conversation, sales brochures, ads, etc.
- None of that changes the expectations for your customer
- Seek out vendor's own words and add into supplement or weave into terms that are being negotiated
- Take comments in redlines and work them into contract language
- Summarize meetings in email and request written confirmation of mutual understanding
- Add language into solicitation that vendor will honor representations made in all forms

Play #12: The Best Defense is a Good Offense

- Use your paper! Always include your form contract in all solicitations
- Instruct vendors on how to respond to those terms as part of their proposal or bid
- Disallow any replacement of your contract with theirs
- Require all binding contract documents that they expect you to consider to be included as part of their proposal
- When an additional vendor document must be included…
    - Watch for conflicting and overlapping terms with the language of your form contract

    -Use the "say it once" principle
    -Stay on top of the order of precedence *(literally)*

Presenting material in a playbook format is also consistent with one of the main calls for IT procurement reform from NASPO and NASCIO related to the need for more flexibility in negotiations and in consideration of terms and conditions. Readers can take one or more plays and employ them to best adapt to their IT project.

Regarding the format, the original *Playbook* was presented in green and gold to relate the material to Wisconsin attendees (i.e. Packers fans), but the color scheme of the booklet can also be modified in another state to make the look of the material transferrable as well.

Service Improvement

The primary service improvements focused on in the "*Best Practice Playbook: IT Procurement*" involve improving the working relationship with the two key stakeholders of the IT procurement manager—vendors and internal technical staff.

First, the *Playbook* focuses on customer service for vendors, an important stakeholder in the IT procurement process. In keeping with many of the concepts of the call for IT procurement reform—start with a business problem-based solicitation; conduct market research; minimize mandatory requirements—several plays reinforce these concepts to improve the service to the IT vendor community. For example, Play #1: Shift Your Perspective, asks the reader to consider the viewpoint and needs of the vendor when creating a solicitation.

Second, the *Playbook* focuses on improving service to your internal IT program customers. Being a fully aligned, strategic partner to a state CIO or central technology office is critical to the success of the procurement process, contract management, and long term cost saving opportunities. To support the importance of customer service to our internal stakeholders, the *Playbook* offers several "plays" on both "offense" and "defense". For example, Play #4: There's No "I" in Team, promotes the benefits of forming an effective team with internal customers to produce results. Play #8: Karma Chameleon, asks the procurement professional to play multiple roles when reacting to the needs and actions of their customers ("Be a better strategic partner to your internal customers than your vendor can be"). Both of these plays focus on improving the partnership between the procurement and technology offices.

Cost Reduction

The *Playbook* was created in part to fill a gap in the area of IT procurement guidance—it is an introductory resource to the procurement professional to demonstrate the unique challenges presented by buying in IT markets. However, while procuring in IT and telecommunications presents different tests, the goals are the same as any other procurement which is to promote the use of the competitive process to obtain cost savings for the taxpayer.

While it is difficult to gauge the direct cost savings created as a result of using the *Playbook,* several specific plays give the reader insights which will help them reduce costs in IT and telecom deals. For example, Play #13: Don't Let the Anchor Drag You Down, expounds on the impact that a first offer ("the anchor") can have on the competitive nature of the final price offer in a negotiation. In addition, Play #16: Sandbag (Excessive) Revenue Streams, offers tips on how to spot where unjustified costs can be shaved from the contract costs to state government.

Conclusion

The State of Wisconsin is thankful for the opportunity to submit this application for the consideration of NASPO. Attached to this application is the playbook, respectfully submitted as supplementary material.