

COMMON SENSE,
BUT NOT COMMON PRACTICE:
INNOVATIVE PROCUREMENT APPROACHES

- Observations
- Challenges
- A Real World Example
- One Root Solution
- Strategic Procurement
- Alternative Approaches
- What We Need to do Next
- Question & Answers

OBSERVATIONS FROM THE TRENCHES

The 50,000 foot Observation

- Although we see the continued use of the traditional RFP approach (Contract A / Contract B) model, over the last year or so innovative procurement approaches are being adopted within the BPS
- Furthermore, within the OPS, we are seeing the need (and adoption of alternate procurement approaches) for innovation to support business transformation initiatives

CHANGES, EXAMPLES, SOLUTIONS

However Challenges Remain...(Requirements)...

- Requirements typically remain too prescriptive
- Too much “how” and not enough “what”
- Part of the challenge is client organizations only “know what you know”, prescribe the requirements and then say “we also want innovation” – it doesn’t send the right message to the vendor community
- Innovation will flourish when measured against scenarios and outcomes, not specifics

Real World Example: Imperfect Requirements

Findings

Too many mandatory requirements

No indication of overall goals & objectives (nor delivery success measures)

Requirements seem incomplete – difficult to map to functional areas required in RFP

Current State Assessment absent

Future State Vision absent

Missing Business function / capability e.g. business processes, business rules, business scenarios, conceptual architecture, “other client systems” interfaces

No mention of required implementation services

No mention of maintenance and support services other than need for help desk

Technical requirements absent

Non-functional requirements absent

Conceptual Data Model absent

Findings

Organizational overview (business overview, structure, key stakeholder interactions, user types, systems overview) and context missing

Large variance in quality of the requirements between the various reqmt documents

Ambiguity – requirements are written to differing levels of clarity and many are ambiguous

Varying level of detail – some requirements are written to the WHAT level others are too prescriptive and delve into the HOW level

Lack of structure – current documents are a mixture of business & technical requirements and need to be organized in a coherent structure with traceability / cross referencing

Requirements Need to Prioritized – need a prioritization scheme

Missing overall glossary (certain acronyms in the requirements are undefined)

However Challenges Remain...(Requirements)...

- Evaluation criteria has a tendency to be heavily weighted towards scoring the paper-based proposal content
- To us, the proposal needs to be “tested”
- How do you test it? Orals / Presentations / Demo’s
- Orals / Presentations / Demo’s need to have sufficient weighting
- Consider Multiple Demos with different Stakeholder viewpoints
- Orals / Presentations / Demo’s need to be rigorous

Other Challenges...Vendor Engagement

- The approach to engaging the vendor community needs improvement – both pre-RFX, during (to a point) and post
- It's one thing to develop a "master piece" RFX, it's quite another to signal to the community it is worth the effort to bid on it
- The dirty little secret is upwards of 80% of RFX's are "favoured"
- The sophisticated vendor community needs to hear and see more than "its open, fair and transparent"
- Proper and timely engagement of the vendor community is paramount

Other Challenges...

- The previous were but a few of the tactical issues associated with RFX's and procurement processes...

Getting to the Root of it ...

- One of the root solutions to these underlying issues are:
 - Introduce Dialogue and Negotiation into the tendering process, upfront / earlier in the process (versus at the end and / or post award)
- I'll talk about some alternative approaches later...

We also need to address strategic matters

- Ever noticed the use of terms “Strategic Procurement” and “Strategic Sourcing”?
- Let’s have a conversation about that...

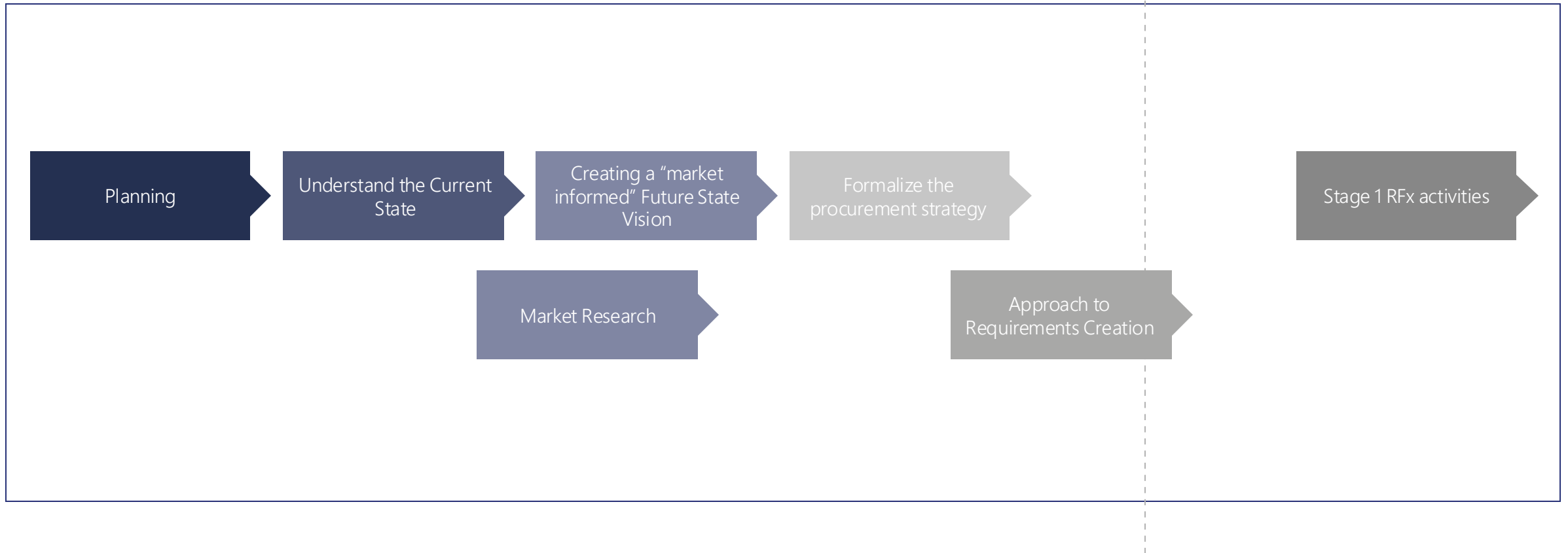
"Strategic Procurement"

- If procurement is truly to be strategic, then procurement organizations need to evolve beyond their comfort zones to support transformative and innovative initiatives
- Beyond the RFX tools and approaches of "Innovation Procurement", the following must also evolve:
 - **Organization / People:** A higher level, multi-disciplinary skill set as part of the procurement team
 - **Process:** Embracing alternative techniques to procurements
 - **Tooling:** Internal (automation, analytics) and External (e-bidding)
 - **Client Service Model (External & Internal):** A recognition of the importance of marketing / vendor engagement within the appropriate bounds. Behaving as a service provider to internal clients / LOB's

Putting the “strategic” back into strategic procurement **GEF** CONSULTING

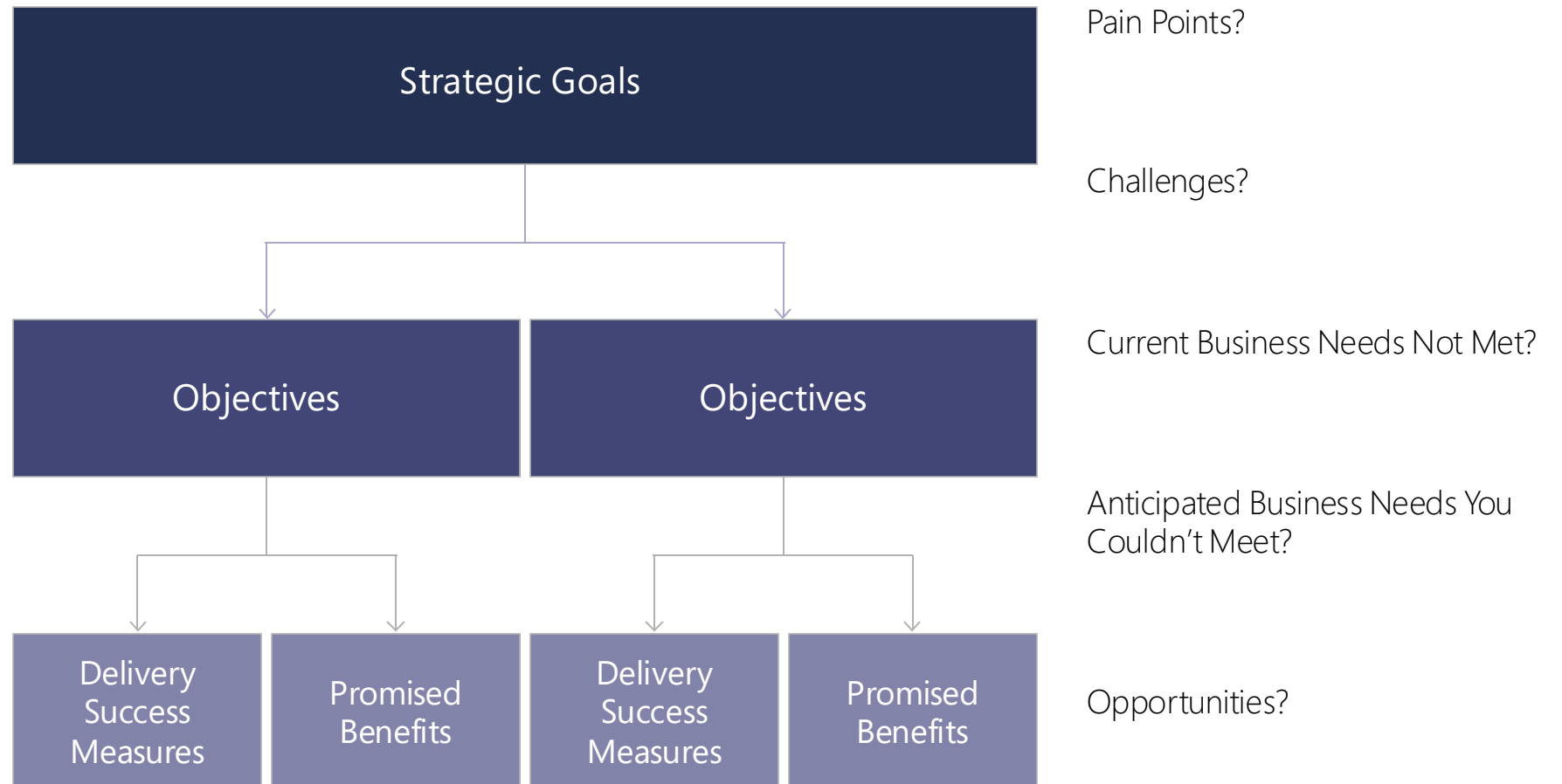
What About All This?

Typical Involvement of
the Procurement Organization



WHY?

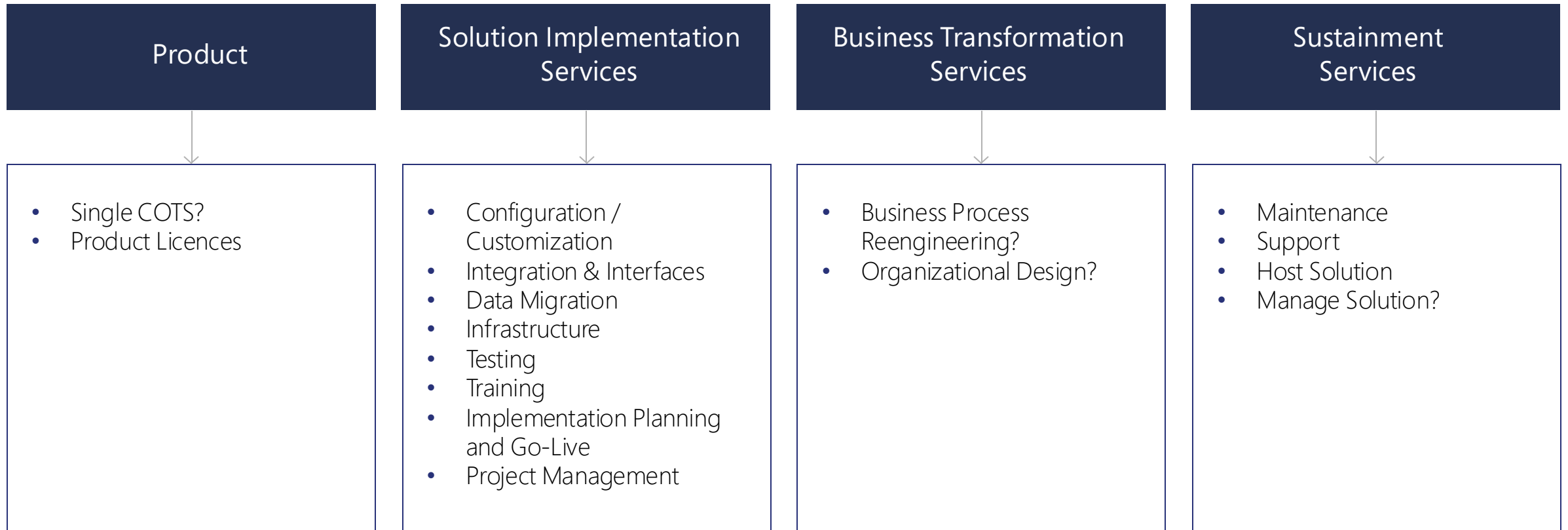
Start at the beginning: Why are we doing this?



- Is the initiative being driven by the BUSINESS?
 - Business **TRANSFORMATION!**
 - Business Transformation.
 - Business transformation?
 - ...
- Or is it is simply a TECH driven “rip and replace”?

WHAT?

What is the scope of the procurement?

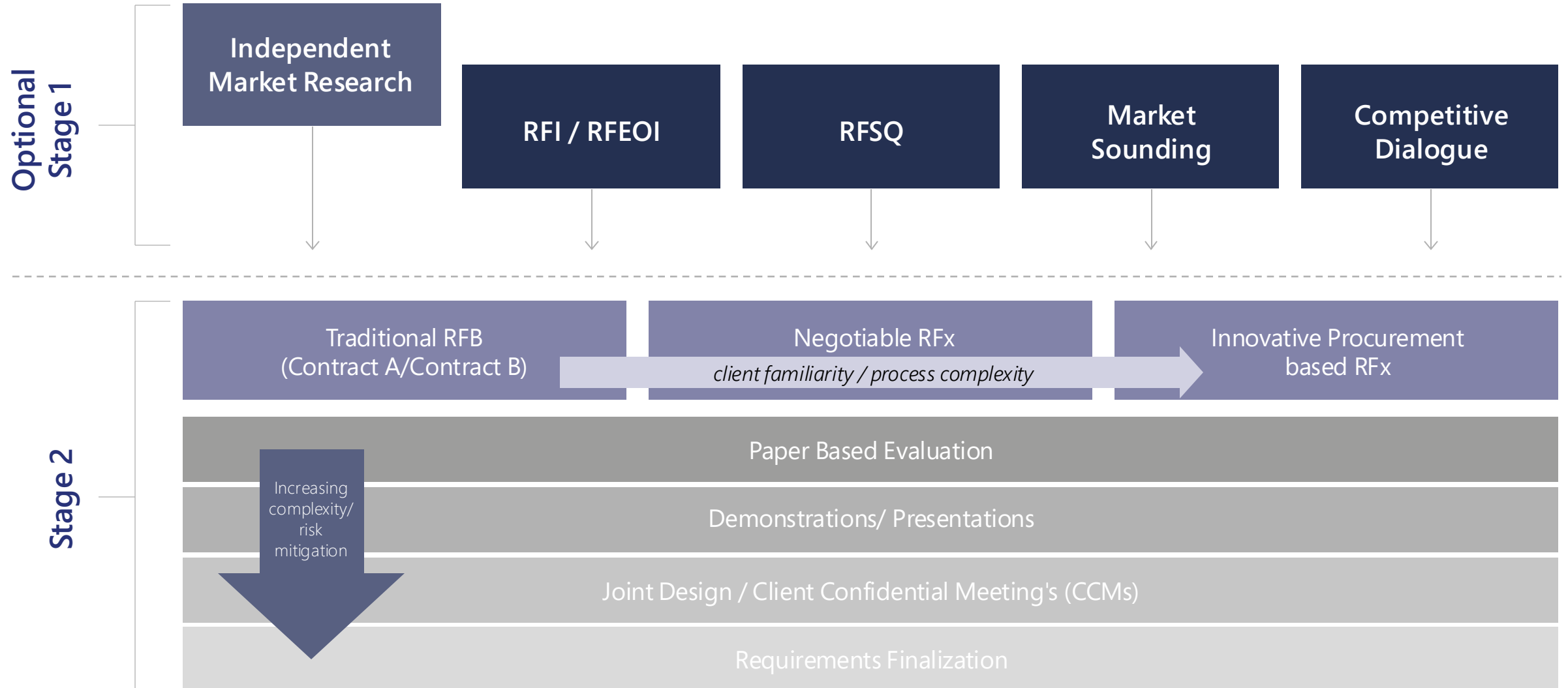


Solution Considerations

- How long do you envision using the new system >> [Customization](#) vs. [Configuration](#)
 - Changing the business, where feasible, before Customizing the COTS
- Business Process Reengineering & Organizational Design >> [Timing](#)
- Best practices to ensure your procurement and implementation are on track:
 - Clearly articulated [Future State Vision](#)
 - High quality [Requirements](#) including future state Business Scenarios
 - [CCM](#) (e.g. discussions on prioritized areas of concern with best 2 Proponents)
 - [Requirements Finalization](#) (a really deep dive into gap / fit with ideally 1 Proponent)
 - [Design Prototypes / Proof-of-concepts](#)
 - Well managed and formalized [QA and Testing](#)
 - [Limited Pilot](#)
 - [Phased Go-Live](#)
- Data Migration:
 - Do you own all your data in your current system? Can you profile, cleanse, extract it?
 - Do you have requisite expertise and tooling to: model and map your data; to profile and cleanse it; to extract, transform, and load it into the new system?
- Organizational Change Management >> [Extensive Stakeholder Engagement](#)

ALTERNATIVE TECHNIQUES

	Negotiable RFP (NRFP)	Requirements Finalization (RF)	Outcome Based Specs (OBS)	Competitive Dialogue (CD)
What it Is	An enhancement to the traditional RFP Contract A model which addresses non-value add compliance aspects of the Contract A model and more, importantly, allows for negotiation before award	An enhancement to the traditional RFP process whereby you take your shortlist proponents through a paid requirements finalization stage before awarding the contract	Rather than being prescriptive about requirements, OBS describe the functions or performance that a solution must achieve.	Allows a buying organization to discuss each aspect of the procurement with potential suppliers before specifying the requirements and before inviting suppliers to submit their final proposals
Where to Use?	General Applicability	Well suited to COTS procurements, legacy replacements, business transformations	Promotes innovative solutions	Promotes innovative solutions
Benefits	Creates collaboration and partnership-like conditions with suppliers through dialogue during negotiations	Removes any doubt before awarding the contract that the selected proponent's solution can meet your requirements versus awarding the contract and then going through a series of change requests and disappointments	- Allows proponents flexibility in determining how a specific need can be met - Has been shown to encourage innovation and bring solutions from outside industry	- Allows buying organization to work with multiple concurrent suppliers to identify and develop possible solutions - Improved communications between parties - Better certainty on what is procured
Challenges	- Minor - more about awareness of GEF CONSULTING - its availability as a tool and also ensuring the proper legal RFP template is used	- Does require more time (before contract award) - Funds could be spent on the preferred proponent and "lost" if they fail to demonstrate their applicability - Not commonly used so not well understood by procurement teams	- Requires a significant shift in mindset for all sides since suppliers need to satisfy business outcomes not prescriptive specifications - Outcomes need to be objective, measurable, clear and realistic - Pricing model usually more complex	- Longer timeframes required (multi-year) - Complex procedure - Resource intensive on all sides (and therefore costly) thus can discourage smaller proponents from engaging



WHERE DO WE GO NEXT?

1. Continued Awareness
2. Education
3. Create tools to assist with Adoption
 - For our part, we have committed to working with ITAC Health and Digital Health Canada to co-develop a broader Procurement and Capability Model for industry and to also supplement / enhance existing toolsets

QUESTIONS?