Navigating the Challenges of Using Technology to Transform Procurement

PROCUREMENT EXCELLENCE NETWORK

Partners for Public Good

Roundtable | May 1, 2024

agenda

Provide a **platform to discuss challenges and best practices** in leveraging technology to improve procurement operations.

Elevate insights from **successful procurement technology transformations** among peer governments.

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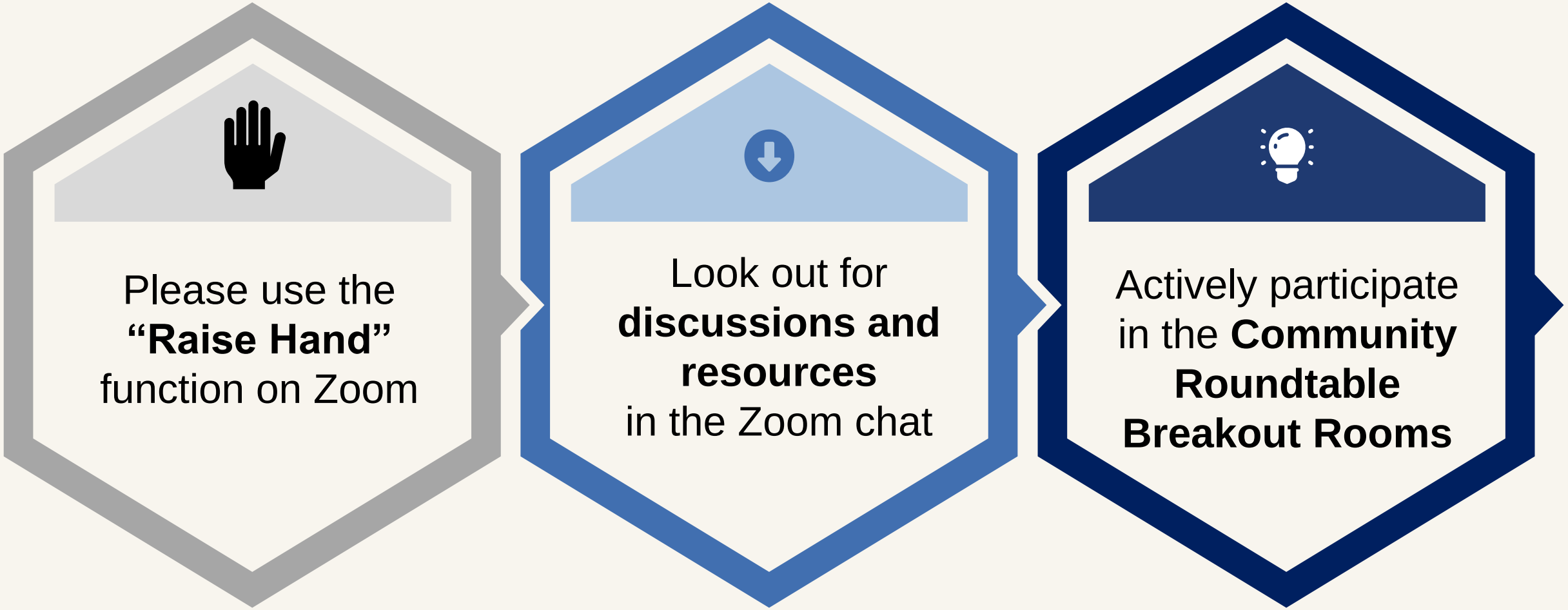
How can you engage in this session?



How can investing in technology help to transform procurement operations?

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Digitizing procurement processes can drive efficiency and ignite innovation

Defining
"Procurement Technology"

Any software or digital system that improves strategic and/or transactional aspects of the end-to-end procurement process.

Improved Efficiency

Eliminating manual procurement processes allows staff to focus on higher-value activities.

Actionable Data Insights

Increased visibility into procurement operations with data can help diagnose bottlenecks and challenges.

Increased Collaboration

Digitizing processes can lead to improved communication with departments and vendors.

Governments have tactically used technology to improve various procurement processes

Des Moines, IA

Challenges

- Bids received via mail/email
- Limited ability for contact or outreach with potential vendors
- Vendor lists on antiquated spreadsheets

Value Added
(External- Facing System)

New system **(IonWave)** gave opportunity to correctly register vendors in one place, advertise registration to new vendors, and streamline bid submission.

SHARE YOUR THOUGHTS!

Name a procurement process your government was able to automate or improve using technology.

So, why are procurement teams slow to adopt and adapt technology?

High Price Tag

Limitations in funding availability can impact decisions to purchase new technologies to improve procurement operations.

Once Burned, Twice Shy!

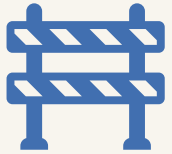
Negative experiences with failed legacy systems that created process bottlenecks and added limited value are top of mind!

Knowledge & Capacity Gaps

Lack of staff capacity and knowledge to initiate, manage, or adequately support the technology changes.

Time Constraints

The process of planning, sourcing, implementing, and training staff on new changes can be time-consuming.



Inflexible Processes

Due to strict purchasing processes, regulations, and bureaucracy, purchasing technology can be difficult.

“Good Enough” Philosophy

Despite frustrations with current processes, teams are comfortable working within the status quo system.

PEN Member Insights: Procurement Technology Challenges

> **Purchasing staff don't have a lot of excess resources** and commonly must **decide between spending the money on more personnel or a software system** that may or may not do the work better. There is risk and investment even in the process of research and discovery.

James Moering
Procurement Supervisor Goods, Services & Technology
City of Portland, Oregon

Intersection of procurement tech and ERP systems

There are several challenges related to timing, integrations, and the right mix of systems to best optimize individual procurement operations and creating true procure-to-pay systems.

Key Challenges

Depending on the timing of existing ERP implementations, **procurement staff are often asked to wait to implement procurement functionality.**

ERP procurement module functionality **is more transactional rather than strategic** (vendor scorecards).

There is often **overlap between standalone e-Procurement systems and existing ERP systems** (like vendor files), which **can result in "shadow systems"** that create frustration for staff.

There are complications with the integration of standalone e-Procurement systems with existing ERPs.

Creating true **procurement to payment linkages may limit customization options** to meet business needs.

What are successful practices for procuring procurement-related technology?

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Navigating the stages of technology procurement

Planning

- **Process Mapping**
- **Identification of Process Improvement**
- Market Research
- Cost-Benefit or Spend Analysis
- Decisioning
- Piggybacking

Sourcing

- **Business Requirements**
- **Pilots/Demos**
- Creating RFI or RFP
- Evaluation
- Negotiation
- Contract Execution

Implementation

- Marketing & Messaging
- Training and Development
- **Scaled or Full Deployment**
- Process Evaluation
- **Data Collection & Review**

PEN Pulse Poll

What **stage of the digital procurement journey** is your government currently in?

What information would your government find helpful at this stage in the digital procurement journey?

Government Case Studies

How have governments used technology to improve procurement operations?

Planning

Nicolas Diaz Amigo
Chief Innovation & Data Officer
City of Syracuse, NY

Sourcing

Lawrence Gann
Purchasing and Contract Service General Manager, Internal Services Department
County of Los Angeles, CA

Implementation

Windy Aphayrath
Director / Chief Procurement Officer, Division of Purchasing & General Services
State of Utah

Planning

Government Spotlight: City of Syracuse, NY

Featured Speaker:

Nicolas Diaz Amigo

Chief Innovation and Data Officer

Defining the Challenge

The process for starting purchasing (bids, RFPs) was manual, inconsistent and time consuming.

Some major pain points include:

- Vendors having to submit solicitations via physical mail
- The purchasing team spending a lot of time seeking out required documents
- Lack of reliable data

Action Plan for Reform

We sought to digitize our process by doing **market research** (understanding what tools are out there) and **mapping our internal processes** (defining our biggest pain points).

We ended up selecting an **e-procurement tool** that would integrate to our Enterprise Resource Planning system.

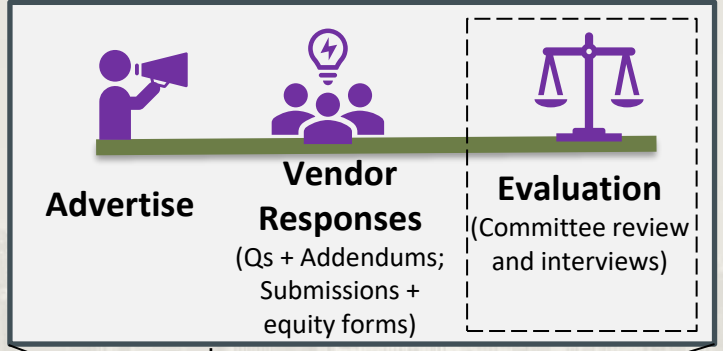
Rationale

- **We are in the middle of an ERP** transition effort that will likely take years.
- We feel a **specialized system solves our pain points** better.
- The **risk of increased complexity was limited** since the financial and purchasing functions are siloed (and already part of different systems)

Planning Solving Challenges During This Phase

Challenge	Strategy
No clear understanding of what e-Procurement entails *(i.e., where does it begin and end?)*	• Defined and prioritized needs (e.g., portal to advertise, online documentation gathering, etc.). • Created a high-level systems map to explain what this system is meant to do and gathered consensus.
In the big picture, **procurement touches multiple stakeholders and systems of record**	• Mapped out which steps of the process would require any integration or information sharing between systems. • *Asked the question: Is integrating a nice-to-have or a must-have?*

Current State Systems



Systems Legend:
- Paper/Email/Microsoft Suite
- Helpdesk
- PeopleSoft

PROFESSIONAL SERVICE & CONSTRUCTION BIDS, OVER $35K

Purchase Request (Request to Advertise) → **Budgetary Approval** → **Drafting** (Scope of Work/ Specs) → **City Solicitation** (RFP/Construction Bid) → **Award Approval** (Dept; Budget Director/Mayor; Council for RFPs) → **Contracting** (Insurance; contract negotiation & execution) → **Purchase Request** (Requisition Request) → (PeopleSoft Approval Workflow) → **Purchase Order** → **Contract Management** (Equity compliance; performance monitoring) → **Payment Request** → **Vendor Payment**

Market Research

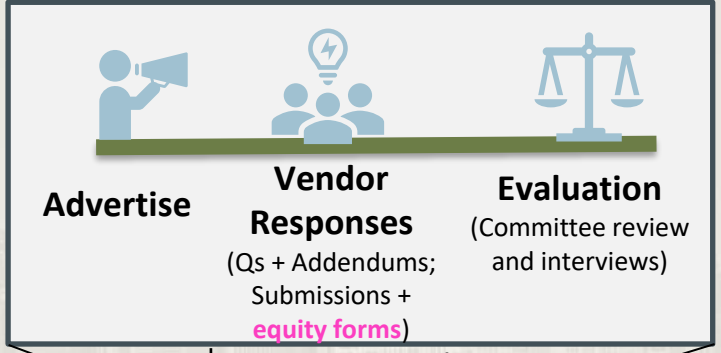
NON-PROFESSIONAL SERVICES OVER $35K & COMMODITIES OVER $20K

(Requisition Request & County Bid Request Form) → **County Solicitation** (Commodities/ Non-professional) → (PeopleSoft Approval Workflow) → *(Non-prof. services require city contract & terms)* → **Purchase Order** → **Contract Management** → **Payment Request** → **Vendor Payment**

ALL SERVICES (Professional, Non-professional & Construction) **UNDER $35K & COMMODITIES UNDER $20K**

(Requisition Request) → **County Solicitation** (Quotes) → (PeopleSoft Approval Workflow) → **Purchase Order** → **Payment Request** → **Vendor Payment**

Ideal State Systems



Systems Legend:
- ePocurement solution(s)
- Paper/Email/Microsoft Suite
- PeopleSoft
- Project management software
- B2GNow & LCPtracker
- Connection Opportunity

PROFESSIONAL SERVICE & CONSTRUCTION BIDS, OVER $35K

Drafting (Scope of Work/ Specs) → City Solicitation (RFP/Construction Bid) → Award Approval (Dept; Budget Director/Mayor; Council for RFPs) → Contracting (Insurance; contract negotiation & execution) → Purchase Request (Requisition Request) → (PeopleSoft Approval Workflow) → Purchase Order → Contract Management (Equity compliance; performance monitoring) → Payment Request → Vendor Payment

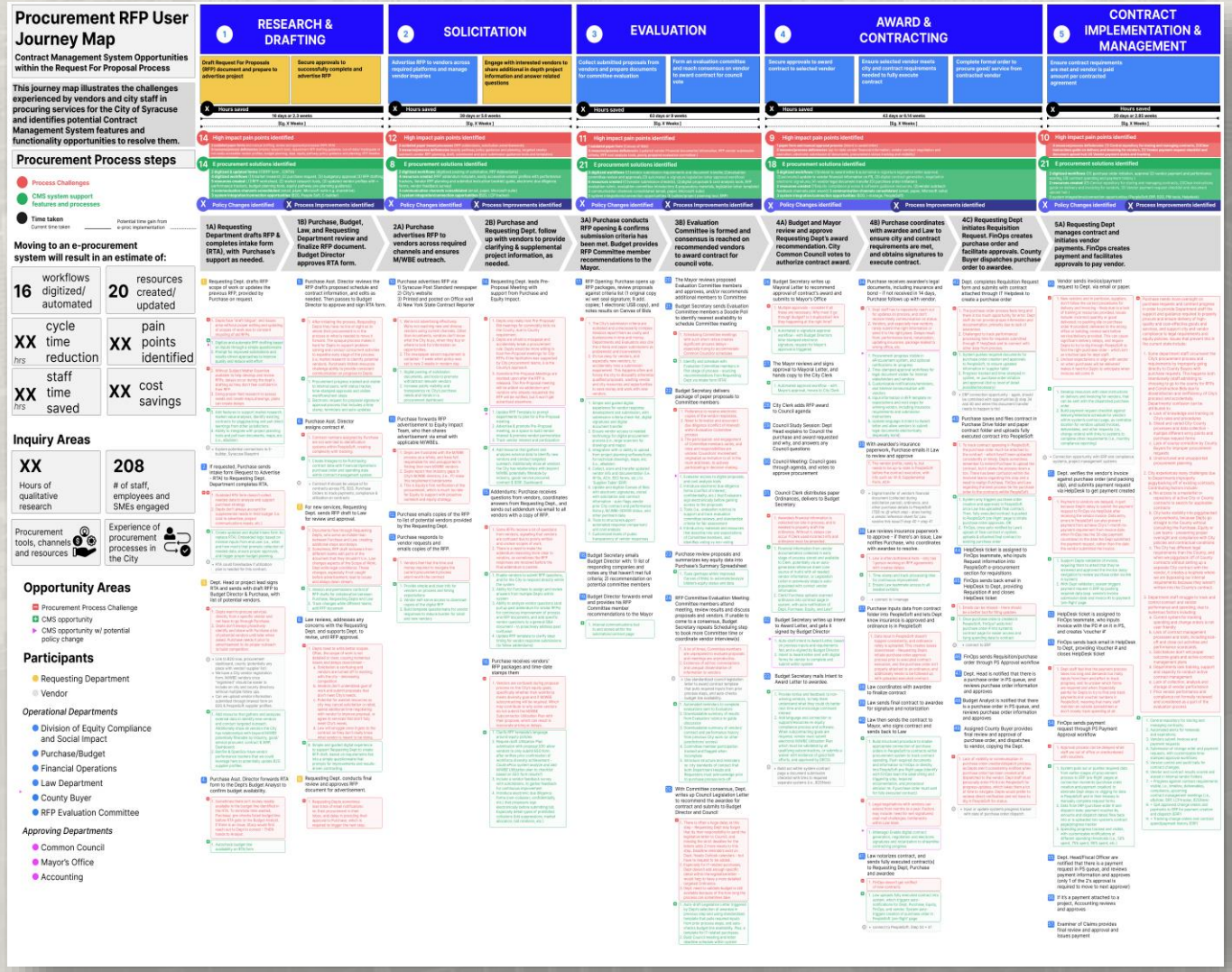
NON-PROFESSIONAL SERVICES OVER $35K & COMMODITIES OVER $20K

Market Research → Purchase Request → Budgetary Approval → County Solicitation (Commodities/ Non-professional service Bids) → (PeopleSoft Approval Workflow) → *(Non-prof. services require city contract & terms)* → Purchase Order → Contract Management → Payment Request → Vendor Payment

ALL SERVICES (Professional, Non-professional & Construction) **UNDER $35K & COMMODITIES UNDER $20K**

County Solicitation (Quotes) → (PeopleSoft Approval Workflow) → Purchase Order → Payment Request → Vendor Payment

Year 1 research revealed procurement pain points and guided our procurement technology solutions



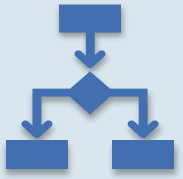
- **Goal:**
  - **Streamline and digitize procurement systems** to alleviate challenges felt by staff and vendors across the procurement lifecycle
- **User-centered approach:**
  - 11 procurement process mapping sessions across 7 departments
  - 10 vendor interviews
  - 128 vendors surveyed
  - 70 department staff and heads surveyed

Results:

- **56 high-impact pain points**
- **81 potential technology solutions**

Plus, additional process and practice improvements

Planning Best Practices



Spend time understanding your process and pains

- Digital transformation efforts commonly begin from the premise “We have to go digital because we have to go digital”
- Spend time defining the “why” – this will help as you implement, configure and prioritize features

Multiple rounds of market research

- Conduct a few rounds of demos to allow team to get a sense of what the tools do (after defining what priorities are)
- Conduct another round of in-depth demos once you know what to watch out for

Develop iteratively and put ‘the thing’ in front of users

- Avoid abstract ‘collection requirement’ and instead interact with sandbox version of tools
- Ask vendors (or in-house developers) to approach this through sprints where you focus on one feature, and then test it out

Sourcing

Government Spotlight: County of Los Angeles

Featured Speaker:

Lawrence Gann

Purchasing and Contract Service
General Manager
Internal Services Department

Defining the Challenge

Los Angeles County spends $6-8B annually (80% from Contract Services), decentralized across 40 Departments. No sourcing module for Contract Services as the current Procurement system was implemented in 2005:

- Disparate processes and systems
- Manual processes lead to
  - No visibility of lead times
  - No data
  - No forecasting

Action Plan for Reform

- Assessment of County's Procurement current state
- Alignment to Countywide objectives to develop future state vision and strategy
- Execute strategy of people, process, and technology transformation

Rationale

- Created the **Office of Countywide Contracting** to centralize, streamline, and provide oversight and government of the County's Contract Services
- Transform **policies, procedures, and processes** to build into a new end to end **Source-To-Pay system**

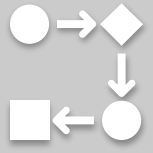
Sourcing Solving Challenges During This Phase

Challenge	Strategy
Change Management	• Present use cases that demonstrate current challenges • Provide solutions that drive efficiency and value • Alignment of key decision-makers • Continuous communication with input and feedback loop
Solicitation Requirements	• Strategy based on data-driven decisions • Ensure full assessment of technical, functional, and configuration requirements • Allow for flexibility (where feasible) • Determine resources before solicitation including contingency

Sourcing Best Practices

Organizational Collaboration = Adoption

Ensure that all parties (decision makers, end users, etc.) are involved, engaged, aware, and have a forum for input to generate buy in, ownership, and adoption



Output Dependent on Inputs

An end-to-end Source-To-Pay system is a platform and mechanism to execute your Procurement strategies, policies, processes, procedures, etc.

Fully Utilize the Solicitation Process

Ensure that the solicitation process works for your organizational needs and addresses unique technical, functional, and configuration requirements needed

Resources Key To Success

Building the right team is instrumental to the success

Implementation

Government Spotlight: State of Utah

Featured Speaker:

Windy Aphayrath

Director / Chief Procurement Officer,
Division of Purchasing & General Services

Defining the Challenge

"The way we've always done this"

- Expiring Contract
- Technology Advances
- Statute/Policy Changes
- Process Changes
- "There has to be a better way…"

Action Plan for Reform

- Where are the bottlenecks?
- **Standalone system** for better partnership with municipality partners
- Multiple modules
- Work-group/roles functionality

Rationale

Why was this best for us?

- Separate from Division of Finance
- Opened up use for municipality partners
- Autonomy from integrations and reliances

Implementation Solving Challenges During This Phase

Challenge	Strategy
“This is not how we do this.”	Change is HARD!! • Acknowledge and validate that – respect their feelings • Work together to address the concerns • Do this “with” not “to”
Stay on Track – beware of scope creep and the shiny	BOUNDARIES are your best friend. • Watch out for “little things” that will grow big fast! • Make note of the “extras” - come back to them later. Right now your focus is on the core functionality.

Implementation Best Practices

Communicate Early and Often

Figure out who your stakeholders are – and communicate with them based on what they need to know, and what role you need them to play in championing the solution. If they don't have to ask, then they already know – but tell them again anyway.

Build in Flexibility

You can know what you know, know what you don't know, but there will always be something you don't know you don't know. Plan for it.

CELEBRATE!

Identify milestones that are key to the success of the program - figure out metrics that show forward progress – and celebrate every achievement!

Conclusion

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Governments have tactically used technology to improve various procurement processes

Des Moines, IA

Challenges

- Bids received via mail/email
- Limited ability for contact or outreach with potential vendors
- Vendor lists on antiquated spreadsheets

Value Added
(External- Facing System)

New system **(IonWave)** gave opportunity to correctly register vendors in one place, advertise registration to new vendors, and streamline bid submission.

Sioux Falls, SD

Challenges

- Digital catalog for p-card purchases not user-friendly
- Departments often opted out of the self-service functionality
- Sent individual requisitions to the procurement system

Value Added
(Internal System)

New punchout system **(Equal Level)** incorporated end-user feedback and is now actively used by 250+ city staff, reducing separate requisition requests outside the system.

Member Insights: Procurement Technology Challenges

PEN Member Perspective

Purchasing staff don't **have** a lot of excess **resources** and commonly have to **decide between spending the money on more personnel or a software system** that may or may not do the work better. There is risk and investment even in the process of research and discovery.

James Moering
Procurement Supervisor
Goods, Services & Technology
City of Portland, Oregon

PEN Member Perspective

Sometimes your **organization may decide on a technology solution**, pilot it, utilize it, and **realize you wish it could do more**. […]

But we learned that the technology system is half the battle. **Do not try and codify a bad process.**

Julie Salinas
Procurement Manager
Purchasing and Contracting
City of Seattle, Washington

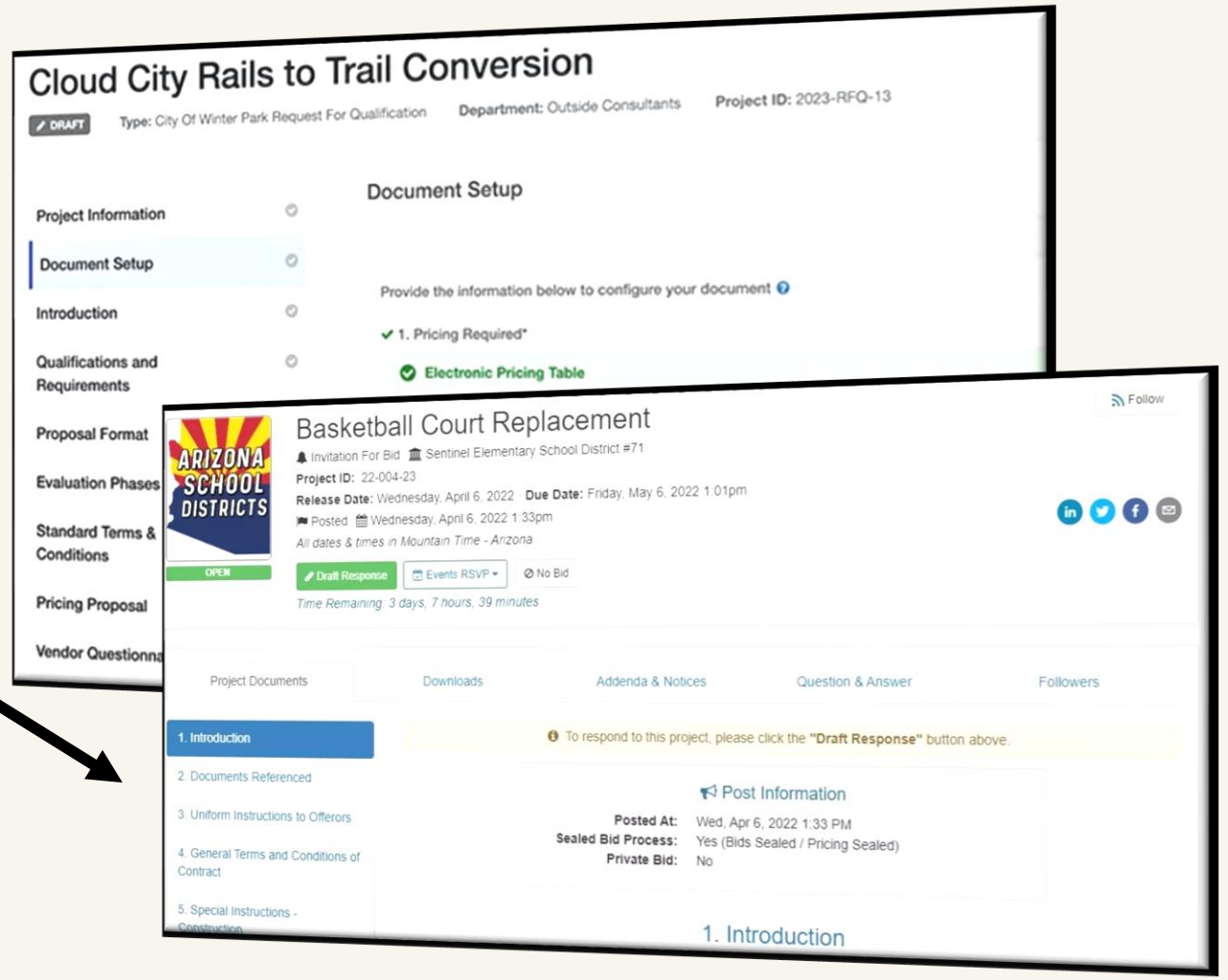
Evolution of Procurement Technology

Application Era	All-in-one Suites Era	Microservices Era	Artificial Intelligence (AI)
Late 1990s-2005	**2006-2016**	**2016-now**	**The Future**
• Strategic sourcing software: RFPs & contract management	• Native ERP integration many services	• “Containerized” tech • Applications built with micro-services and APIs	• AI and machine learning to support every aspect of procurement and contracting

Based on "The future of procurement: moving beyond mediocre technology" (Kearney, 2021)

Technological interventions to support end-to-end procurement processes

- Market Research
- Solicitation Development
- Posting/Advertisement
- Evaluation
- Contract execution
- Payment



Checklist of key considerations for each phase

Planning

- ❑ Consult with relevant internal and external stakeholders
- ❑ Check what legacy systems exist and their existing and potential functionality
- ❑ Review budgetary, legal or risk concerns to ensure you are adhering to all requirements
- ❑ Review current process for any inefficiencies to update before purchasing a technology system

Sourcing

- ❑ Compile needed functionality to achieve goals
- ❑ Check if the proposed solution integrates or has compatibility with existing systems
- ❑ Include vendor management and performance expectations in solicitation
- ❑ Consider the best method to procure the technology (e.g. new solicitation, piggybacking)

Implementation

- ❑ Review potential issues and outline plan to mitigate before scaled implementation
- ❑ Communicate changes to all stakeholders consistently
- ❑ Build confidence and capability of system users
- ❑ Measure the impact of the change from the technology on procurement operations

Stage 1: Planning your procurement technology

Common Challenges

Not Fixing the Process Problem First

Shifting the focus to an IT solution rather than addressing the underlying problem – *is a new tech solution the answer?*

Complex Governance/Approvals

While stakeholder buy-in is necessary, too many people involved in decision-making can cause bottlenecks.

Planning in a Silo

Failure to incorporate internal or external user feedback in the process from the onset!

Decision Paralysis

Making technology purchases is daunting considering the potential disruption and impacted stakeholders; not making the “right decision” can be devastating.

Stage 2: Sourcing your procurement technology

Common Challenges

Overreliance on Vendors to Propose the Right Solution

Vendors know their business but do not know your process – governments need to firmly articulate their process woes to get the "right-sized" solution!

Managing Conflicting Stakeholder Needs

When choosing the right technology solution, often users have different priorities and expectations.

Lack of Defined Process

Not thinking through the procedures for procuring, reviewing, and evaluating all solutions could cause bottlenecks.

Scope your Scope

Changing scope throughout the process can lead to additional costs or increased timeline!

Stage 3: Implementing your procurement technology

Common Challenges

Rushing Deployment

Lack of foresight in planning, testing, and validating operations issues before scaling implementation.

Vendor Accountability

Failure to identify or define specific criteria for vendor support beyond deployment to mitigate issues.

Inadequate Stakeholder Training & Messaging

Not enough attention is placed on capacity building and developing a comprehensive communication strategy to inform stakeholders of changes!

Deprioritizing Data Collection

Activating the power of data can help identify issues with deployment and adoption, measuring ROI!