



PUBLIC SECTOR

VALUE OF PUBLIC PROCUREMENT MODERNIZATION



ALL Spend, ALL Suppliers, NO Compromises



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Introduction

The investment that an organization makes in procurement processes, technology, and talent has a direct impact on its ability to serve its target audience, whether customers or constituents.

Public sector procurement typically receives very little attention unless something goes wrong. Years worth of work fostering supplier relationships and responsibly managing taxpayer dollars can be overlooked completely when one seemingly inappropriate purchase or visible service failure hits the headlines. Such negative coverage has led to chronic underinvestment in procurement – an unfortunate consequence that can increase the likelihood of future failures. The current state of public sector procurement is especially alarming, considering the pressure on public agencies to remain compliant and maintain consistent transparency as regulations change.

In this paper, we will examine the benefits associated with digitally modernized public procurement and discuss the value of using technology to enable supplier management, spend management and compliance, talent management, and risk management.

Although for the sake of simplicity, we refer to the public sector as one type of entity, we fully recognize the diversity of organizational size, scope and structure that exists. Federal, state & local, agencies, and higher education differ in their requirements and objectives, but they are aligned in their desire to serve the public as efficiently and effectively as possible.

Chapter 1

IMPACT OF EPROCUREMENT TECHNOLOGY ON PUBLIC PROCUREMENT

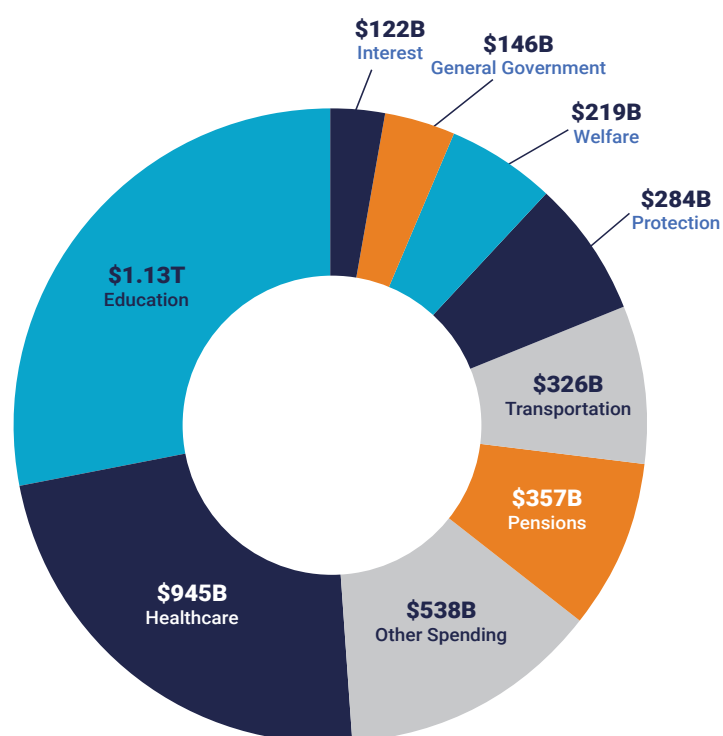
Procurement plays a significant role in the operation of the public sector, yet many organizations are highly dependent on legacy systems that are tied to manual purchasing processes. Modernizing those systems has positive implications for a range of initiatives such as transparency, results, and innovation.

Unlike the private sector, in which cost savings and profitability are paramount, the primary measure of public sector procurement performance is fiscal responsibility. In many cases, this requires inventory optimization across locations or agencies and statewide incentivizes cooperation, and it puts demand management on par with per-unit price reductions. The public sector is constantly looking for ways to operate more efficiently and stay within tight budgets.

Given their unique needs, challenges, and objectives, public sector procurement teams have to decide where they stand to gain the most value when modernizing their technology. While there is no single best practice, spend analysis and solicitation management are common starting points.

Beginning with an assessment of the current contracted spend landscape is beneficial. Spend analysis may be handled as part of the discovery phase or as the implementation kick-off and may lead to opportunities to create statewide agreements and consolidate spend. Alternately, some states address sourcing or solicitation management first, either of which may naturally flow into contracting. Both approaches – spend first and solicitation first – drive transparency by enabling suppliers to interact more efficiently, and by providing increased spend insight. They also drive

Total U.S. State & Local Government Spend \$4.07 TRILLION



Source: NIGP



value by increasing competition, emphasizing the inclusion of small and diverse suppliers, and satisfying preferences for local relationships. Procure-to-pay (P2P) may seem transactional, but it gives users access to e-marketplaces and punchout catalogs, often first steps toward guided (or self-service) buying.

Technology is just one piece of public sector procurement modernization. It is an enabler that must remain aligned with the goals of the entity or agency as they change over time. The more flexibility the platform affords, the better. If it is possible to implement one set of modular functionality at a time and simply flipping a switch when it is time for the next set of functionality, friction to progress is dissipated.

Whether implemented using a phased approach or all at once, public sector procurement transformation must satisfy the unique priorities and requirements of each organization.

5 Trends that are Reshaping Public Procurement

- 1** Data and analytics are driving all phases of the procurement process
- 2** Governments are becoming more mature in applying best-value strategies
- 3** Solution-based contracts are delivering more responsive engagements
- 4** Procurement offices are forging closer relationships with vendors
- 5** New types of contracting vehicles are boosting procurement effectiveness

Transparency

Transparency is a common theme in public sector discussions, and it is nearly impossible to achieve without a single, fully integrated procurement platform and modern supporting technology stack.

Historically, public sector procurement depended on hard-copy files and printed requisition forms that requesters had to have signed by hand, often in person. Technology not only streamlines this process by digitizing it, it also increases tracking and reporting capabilities. The ability to centralize and share information ensures that anyone looking for information not only gets access to data; they have the context required to fully understand and apply it.

There have been many calls for open access to data in the public sector, but there is little value in providing access to datasets out of context. Transparency without context reduces visibility rather than increasing it, diminishing the value of data for fueling the decision-making process.

Satisfying Multiple Stakeholder Groups

One of the reasons it's difficult to provide transparency in the public sector is that agencies must serve diverse and competing interest groups:

- ***Constituents want visibility into how their tax dollars are being spent.*** They want to run reports that show how spend is distributed across agencies or within their district. With this visibility comes the opportunity to drive broader use of enterprise contracts so states and large agencies can fully leverage their purchasing power. That cannot happen without visibility into planned bids and historical solicitations that are due for renewal or expiration.
- ***Suppliers want insight into opportunities.*** They want to know when there is an open bid and they want to be confident that the evaluation and decision-making process will be open and fair. This need is especially great for the small business community. With procurement transparency, small business owners can see prime contractors that are interested in bidding on an opportunity, creating a B2B market in which they can reach out and collaborate as diversity subcontractors.

Self-Service Buying

Self-service is a significant opportunity in public sector procurement. Providing individuals with insight and capabilities at the point of purchase – such as the ability to request what they need and see the performance of the supplier(s) they select, knowing how much business the state does with that supplier, and knowing who else has recommended them – puts power in the individual's hands that could drive significant value from the procurement organization.

Public sector procurement still depends on a lot of manual request processing. If procurement can enable catalog shopping, where preferred suppliers or women-owned and certified minority entities are featured, buyers can easily choose sources of supply that meet all of their needs. This type of functionality will help drive community value and make the purchasing process easier.

Innovation

The public sector is perennially working with budgets that are being reallocated or cut, creating a natural breeding ground for innovation.

The move toward value-based procurement has led to a shift in perception, from a focus on procuring goods and services to adding value. A critical component of this mindset shift is the ease of use associated with procurement platforms. Intuitive eProcurement platforms provide critical insight and leverage predictive analytics to drive compliance and spend consolidation.

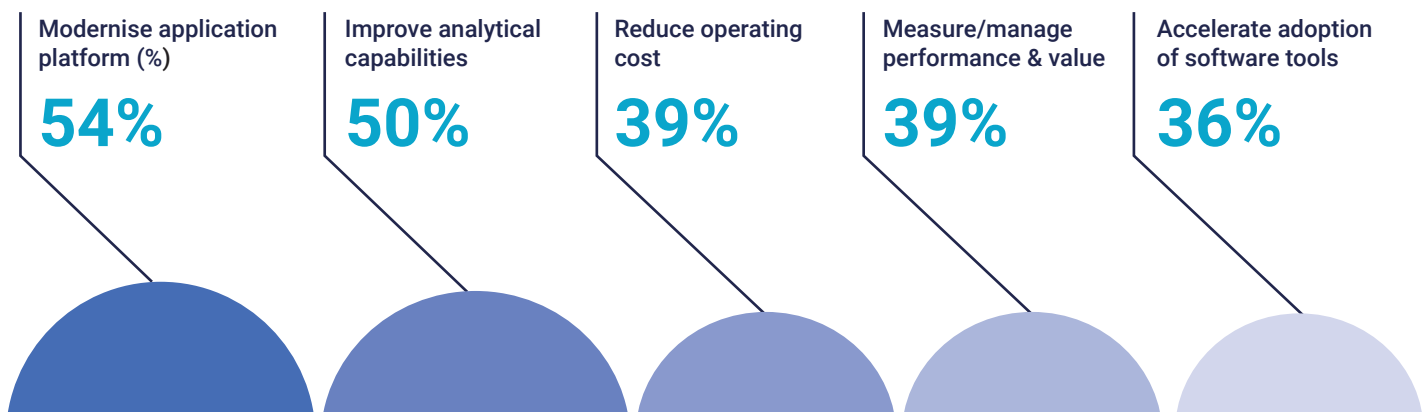
For example, predictive analytics can prompt a user and guide their purchase based on a dollar threshold, specific product or service, and other criteria that are part of procurement's methodology. It is entirely possible to take a paper-based process and embed it into a platform where intelligence is built up around it, to help procurement extend beyond straight process compliance and better leverage the total value of spend.

Innovation is a factor in supplier relationships as well. All too often today, public sector bids favor suppliers that have good current-state capabilities but may not be as relevant in the future. Innovation potential needs to be considered as a selection criterion. Suppliers are the best source of innovation. They see what other organizations and government entities are asking for and have insight into the next stage of delivery. Working with suppliers to understand where they are focusing their efforts, what their roadmaps are, and how that innovation can be harnessed is important.

Procurement is no longer a purely back-office function. Procurement teams help to increase stakeholder engagement and foster partnerships with agencies, departments, or divisions to show the value of upfront process involvement.

TOP 5 FOCUS AREAS OF PROCUREMENT TRANSFORMATION IN 2019

Percentage of procurement organisations with major improvement programme planned or ongoing. [Source: The Hackett Group, 2019](#)



Procurement can not simply want 'a seat at the table,' it needs to earn that seat and do so by demonstrating value.

Chapter 2

IMPACT OF TECHNOLOGY MODERNIZATION ON SUPPLIER MANAGEMENT

Even though suppliers play a critical role in public sector success, the government has traditionally kept them at arm's length. As eProcurement platforms transform public sector procurement processes, supplier relationships are changing, as well. This shift has the potential to benefit all parties by improving outcomes, maximizing value, and facilitating transparent two-way communication.

Starting with the supplier onboarding process, modern procurement platforms provide access and convenience, two factors that – when combined – increase supplier participation in the public sector procurement process.

Current State

- Multiple supplier numbers for the same supplier
- Fragmented supplier management
- Supplier profile data not accessible to the supplier
- Multiple sources of inconsistent data consolidated into eight data warehouses
- No definition of leadership data
- Entity-driven master data decisions and designs

Future State

- One supplier number or each supplier
- Company common supplier on-boarding and lifecycle management solution
- Profile data accessed and managed by supplier
- One source of core business data for consistent and trusted reporting and analysis in one data warehouse
- One definition of core business data and clear business ownership
- Company-driven program approach

Supplier Onboarding

Supplier onboarding has historically been overly complex and, frankly, unpleasant. In some cases, this complexity is self-inflicted, as large ecosystems dependent on manual paper-based processes create numerous hurdles and delays. Modern procurement technology can transform this process to reduce friction, support initiatives to increase local or diversity spend, and reduce manual effort on the part of supplier representatives.

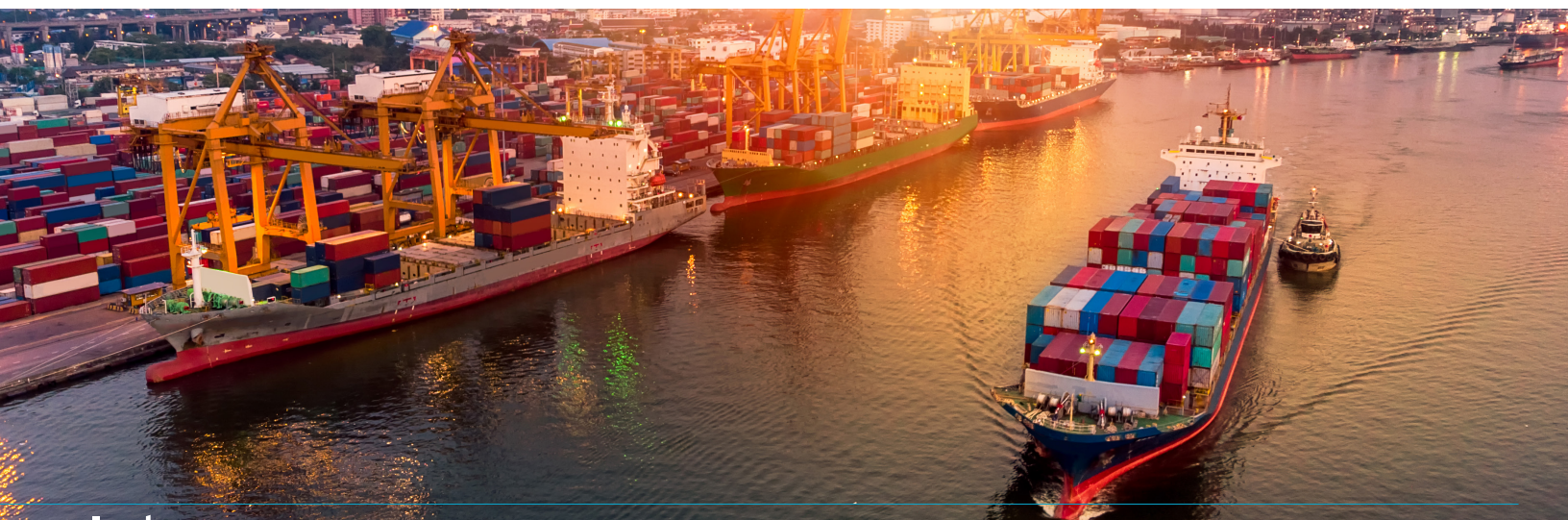
However, if procurement technology is cumbersome to use, it can easily become a barrier to suppliers. Not every supplier has the resources to deal with onerous administrative overhead from procurement technology – no matter how good the business opportunity is.

This barrier is especially critical in the public sector because the suppliers who are most important to value creation are also the least likely to have the tolerance for process friction. Small, diverse, and economically challenged suppliers that would otherwise benefit or introduce innovative ideas may simply decide to walk away.

Public sector procurement must cultivate many kinds of supplier relationships, working to ensure that their user experience is as positive as the experience for buyers. Information about bids has to be visible and accessible.

The performance of supplier management can usually be measured through two primary metrics: Cycle time and the size of the supply base.

- **Cycle time: How long does it take to register a new supplier?** “Touch metrics” are important when considering the efficiency of procurement workflows. Identifying bottlenecks, whether they apply to all suppliers or just hazardous material suppliers, for instance, is critical. Understanding the total time required to onboard suppliers, as well as the active time spent on the buy and sell sides, is essential, as is looking for opportunities to reduce both.
- **Supply base size: How many suppliers are you managing? How do you define management?** Managing suppliers requires more than just getting them through P2P registration. Are you segmenting them? Do you know who supplies what? Are some suppliers designated as “key” or “strategic?” What does that mean? What processes are in place to monitor their risk level? Knowing how large the supply base is, what segments it can be divided into, and what level of effort each of those segments requires is critical to both performance and progress.



Big Changes in the Big Apple

“Inefficient legacy systems just don’t allow city leaders to be nimble enough to launch new programs quickly,” says Dan Symon, New York City’s chief procurement officer and director of the Mayor’s Office of Contract Services (MOCS).

With that reality in mind, the city reimaged government procurement, starting with a new e-procurement system, which Ivalua designed to end the inefficiency of manual, paper-based processes.

With so much to accomplish, the procurement team chose a three-phase implementation plan.

Phase One

Which went live in 2017, created an electronic portal where vendors can register to complete integrity disclosures. These disclosures allow agencies to conduct thorough background checks of potential vendors. To date, the portal has enrolled more than 13,000 vendors, including new suppliers, that can now complete filings within a day – a significant improvement from the month or more that the process used to take.

Phase Two

Launched in April 2019, provided agencies with a new electronic portal modeled after those used by e-retailers. Staff can purchase standard items from about 1,200 vendor contracts that cover everything from pencils and office furniture to fire trucks. “We replaced various antiquated systems and manual processes with an online shopping experience,” says Symon. “The requested purchases go through all necessary approvals and validations to make sure there is money available in the budgets. The process is fully electronic and transparent. Everybody who needs to know about the purchases sees what’s happening and why. It’s been a huge benefit to the city’s internal operations.”

In addition to onboarding vendors more quickly, the platform lets agencies easily share information. “We broke down information silos,” says Symon. “Now, after one agency completes a background check on a vendor, the other 39 agencies have access to the relevant information. They don’t have to start from scratch if they want to use the same supplier.”

Phase Three

Launched in April 2019, provided agencies with a new electronic portal modeled after those used by e-retailers. In June 2020, New York City completed stage three which standardized sourcing processes across all city agencies and increased visibility into sourcing events and contracting activities and approvals. Phase three also enabled collaborative editing, negotiation and communication between agencies and vendors throughout the contracting process. The modernization efforts of New York City will result in efficient collaboration and streamlined approval processes, decreases in cycle time, ensure cost savings, and enhance customer experience.

Supplier Development

One of the unique public sector supplier management considerations is an active interest in supporting certain suppliers. Nearly all procurement organizations see the potential of supplier collaboration, but they may not be taking the steps to make that happen.

For instance, if there is a small business that is having trouble staying viable, perhaps because they have cash-flow issues, an enterprise procurement team is likely to flag them as “high risk” and replace them with a more financially stable supplier. In the public sector, however, that supplier may be a constituent or be associated with an important special interest group.

As such, it is strategically important to develop rather than discard some weak segments of the supply base, partially because certain government requirements have to be met and partially because there are different notions of social responsibility at play. This is one of the key advantages of public procurement defining value in terms beyond cost savings.

To manage suppliers effectively, procurement teams must address their spend and facilitate effective working relationships with those suppliers. Technology plays a critical role in this effort, because it can lighten the load for buyers and suppliers alike, and bring all of the spend and supplier information together in one place.

Supplier Engagement

Before the public sector can meaningfully engage with their suppliers, the following must be in place.

- **Platform to manage proactive innovation:** What can suppliers do to help drive down costs and drive up value for constituents? How are they bringing product and category innovation? Suppliers must have a way to bring forward information and ideas before they are requested and know that they will reach the right person.
- **Effective technology integration:** They must have a single interface for suppliers to maintain their information, get access to various applications, and receive on-demand training for the solution itself. Having too many portals or interfaces not only requires a lot of training, it drives down supplier engagement.
- **Platform to manage proactive innovation:** What can suppliers do to help drive down costs and drive up value for constituents? How are they bringing product and category innovation? Suppliers must have a way to bring forward information and ideas before they are requested and know that they will reach the right person.
- **Performance measurement:** Measuring supplier performance on outcomes and objectives is important, as well. How can public sector procurement teams monitor whether they have met or exceeded the required level of performance?

Suppliers of Complex Services

Not all suppliers are the same, and those who provide complex services require a different type of relationship and onboarding process to be successful quickly and over the long term. In such cases, the buyer and supplier must work together toward common goals, and they should have a more open relationship.

While the sourcing process is mature and standardized, it was designed for products and materials. Services spend has been trending upwards for years, and as a state or agency buys more complex services, there are other factors that must be managed. In addition to hourly cost, what are the outputs, what are the deliverables, what are the timelines? How quickly are issues resolved? All of these things need to be tracked before the procurement team can understand the entirety of a supplier's performance. Good performance is hard to come by, finding suppliers that are able to deliver against the service level agreements they have entered into with the state or government entity is important.



Key Considerations for Supplier Management

1

Streamlined and simplified initial onboarding for new suppliers to expand your organization's supply base and provide increased access to opportunities for your small business community.

2

Use vendor pre-qualification processes to allow vendors to pre-qualify as a source of supply for specific goods or services to streamline the solicitation process.

3

Apply a Master Data Management strategy to ensure data quality at time of migration and on an on-going basis.

- a. **Migration:** Limit initial migration to only active suppliers (e.g. suppliers with an active contract, purchase order or payment in the last x years)
 - b. **On-going:** Clearing
-

4

Continuous training and communication approach to ensure supplier self-service through embedded training, quick reference guides, videos, etc.

5

Partner with suppliers early and often in the implementation process: Include suppliers in the process of rolling out a new system, whether that be through communication, training or including them in UAT to increase use and adoption.

Chapter 3

IMPACT OF TECHNOLOGY MODERNIZATION ON SPEND MANAGEMENT & COMPLIANCE

Process Compliance

Spend leakage, or maverick/rogue spending, is a problem for all procurement organizations. An organization can implement a highly effective procurement tool, but without the desired level of adoption, achieving the organization's goals will be challenging. Compliance is likely to improve when features such as guided buying are included in a Procure-to-Pay (P2P) implementation. This can be facilitated based on procurement methodology, dollar thresholds, and levels of competition. No tool can handle all of the compliance issues that are likely to arise when a diverse group of individuals is put through the same process, but the right platform can position procurement for success with systematic, enforced controls.

Beyond system and internal process compliance, the public sector has additional requirements for bid and grant compliance. Having visibility into all sourcing and buying activity from one platform makes it far easier to ensure those requirements are consistently met.

Spend Optimization

Innovation in public sector procurement is driven by the speed and creativity with which needs are met and services are provided. The big capital projects that are often undertaken provide opportunities to get people thinking differently and spur competition. Procurement has to take on the challenge of balancing all of the suppliers that may want to be considered for a specific bid, while not accepting so many prospects that it becomes impossible to sit down and hear their innovative ideas.

In the private sector, the priority is to act as cost-effectively as possible. But the public sector has more expansive interests. If a community is building a new school, it will simultaneously work on budget allocations while engaging with General Contractors to evaluate new ways to build, opportunities to speed up the process or improve the facility.

If the district has \$250 million to build a new building, and they save 10% on their concrete package, they are more likely to add to the building than to book the savings. That reallocation of funds creates value for the community and requires a different perspective on spend optimization.



Even supplier relationships offer opportunities to create community value. Some companies that are involved with public sector projects will make scholarships available. Each arrangement has to be managed properly to ensure ethical standards are upheld, but the opportunity for innovation goes beyond providing a product or service and receiving compensation in return. The supplier relationship is a social pact that should contribute to the greater good.

Key Considerations for Spend Management & Compliance

1

Maximize statewide use of procurement technology to increase use of Statewide contracts to gain greater economies of scale and increase accessibility of these contracts to other eligible entities, agencies, authorities, municipalities, and K-12 schools.

2

Establish a defined list of commodities based on historical purchases to establish increased transparency into spend across agencies to support detailed analysis, appropriate solicitation strategies and required governance.

3

Embedded inventory management checks to provide visibility into redeployable assets for optimized reuse of government/ agency surplus inventory.

4

Implement effective contract administration processes and technology (CLM) to establish, empower, and assist customers, organization wide (not just in the central procurement office) to establish controls and visibility into maverick spend to drive broader and appropriate use of agency / state enterprise contracts.

Chapter 4

IMPACT OF TECHNOLOGY MODERNIZATION ON CHANGE AND TALENT MANAGEMENT

Finding and retaining talent is a challenge for all sectors and industries and at all levels. In procurement, the competition for high performers can be particularly fierce, as the right combination of category or process expertise and a balance of technical and soft skills can be hard to find. As the focus shifts from transactional to strategic work, the ability to recruit and retain the best talent will become even more critical to procurement's success. Organizations that view procurement as a differentiator and invest in resources and training programs are set to create strategic differentiators.

Public sector procurement tends to have detailed procurement process knowledge as relates to that individual state or agency, especially about what is required from a regulatory or a process perspective to execute external purchases.

For instance, strategic sourcing is a very structured process that public sector procurement has the talent to manage well. Each state or agency usually has a defined set of steps for sourcing, and the requirements associated with each stage are well defined. Even the contracting process tends to be pre-structured, following a defined process and role descriptions that delineate where procurement ends and legal begins. In some cases, it is a policy that dictates how the sourcing process will go, specifying how many bids are needed or what percentage of the spend has to be awarded to diverse suppliers.

Public sector procurement has opportunities to evolve the areas of category management and supplier performance management because the associated processes are less structured and require more contextualized judgment. It is a challenge to look at a category at a high level and figure out what the goals are for the next three years. Is the right answer more suppliers? Fewer suppliers? Diverse suppliers? How should they manage the performance of those suppliers so they can potentially leverage them in other areas? Analytics offers a lot of insights required to identify and evaluate additional opportunities, but it must be coupled with domain knowledge.

DELIVERING THE FUTURE RELIES ON A WORKFORCE OF THE FUTURE



Future Challenges & Needs

- **Millennial workforce replacing the institutional knowledge** of retirees & desiring a different "employee experience"
- Digital transformation **eliminating the work of the transactional & tactical procurement workforce**
- **Contingent labor** required to support the highly skilled analytical positions
- **Training programs** to accommodate future skills and different learning environments

Future Skills Required For Procurement

- **Relationship management** both internal & external
- Analytical modeling capability & the need for the "**citizen data scientist**"
- **Cross functional expertise**, improved business acumen, and negotiation readiness
- "**Bot managers**" who manage virtual AI teams



Source: Future of Procurement, KPMG LLP 2019

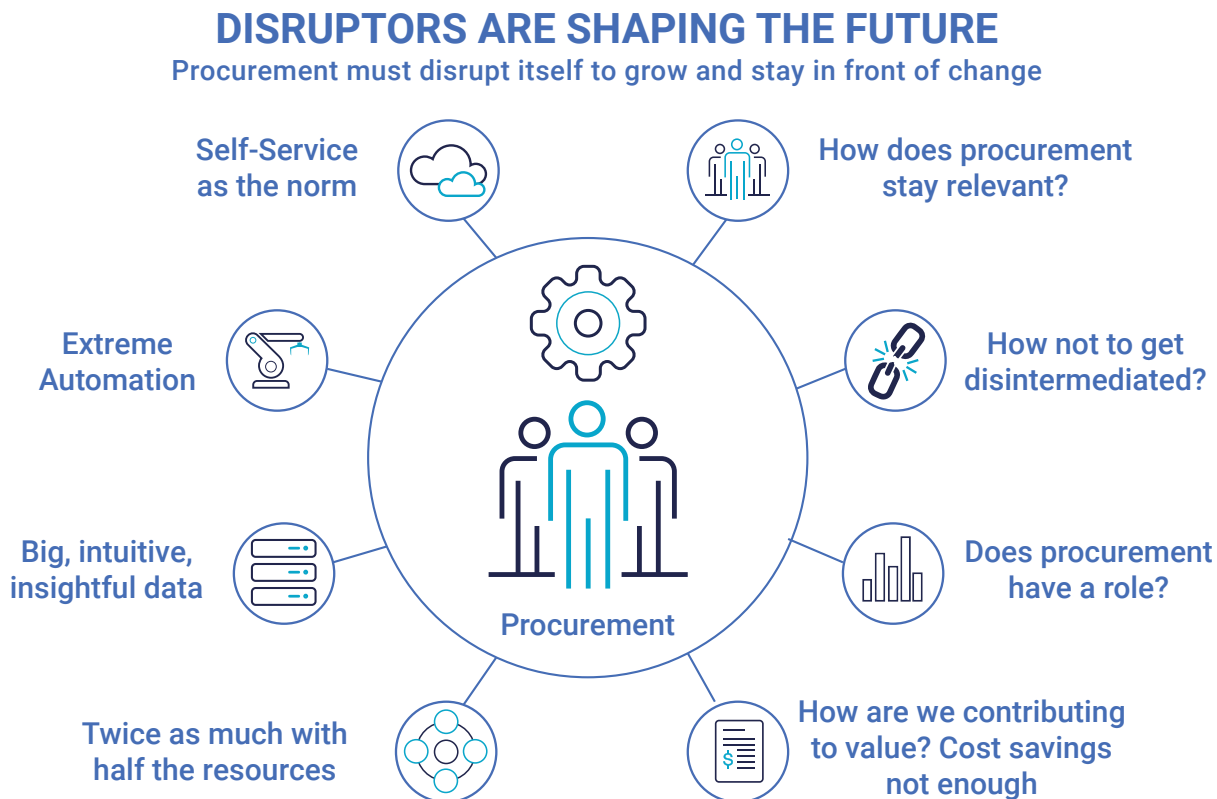
In some cases, it may be technology – not talent – that makes it difficult for the public sector to mature. Procurement teams tend to have sufficient spend data, but the categorization might not be as clean as they would like, preventing them from applying advanced category strategies. Modern procurement organizations are highly dependent on analytics and insight to drive greater savings and value from each purchase.

When activities happen offline, procurement teams are denied the ability to auto-calculate contract costs or auto-score supplier responses, making it much harder to perform apples-to-apples comparisons. In such cases, technology is used as a repository versus an enabler that allows procurement to be more strategic about how they execute their work.

While a lot of effort goes into training new public sector employees, most of it is focused on regulations and procedures. There is an overriding focus on understanding the process and regulatory requirements needed to successfully complete a bid or go through an audit. This focus needs to be expanded to include different types of knowledge and skills and to accommodate the different generations currently in the workforce.

A Shifting Talent Demographic

As the workforce shifts and Millennials make up an increasing percentage of new hires, expectations around technology and forward-thinking culture will become more prominent in recruiting and retention. By 2025, 75% of the workforce – and public sector constituents – will be digitally native. Government workers need to understand citizens' perspectives and use data insights and digital technologies to improve their work product.



Source: Future of Procurement, KPMG LLP 2019

The public and private sectors are going after the same talent pool. They are both going to campuses and looking for experienced hires with functional expertise. As a result, they have to provide a dynamic environment. The last thing top talent wants to do is go into an environment with 20-year-old technology that is not transferable to other departments or employers. The adoption of modern technologies that allow individuals to feel as though they are on the cutting edge of modern procurement will be critical for the public sector. Investing in such technologies is therefore as much about recruiting and retention as it is about process automation.

Today's young procurement professionals want to work hard, and they want many people to benefit as a result of their efforts. Public sector procurement empowers them to do that in a unique way. The public concern with sustainability, and the opportunities to influence it through procurement, is a draw for talent.

Still, the public sector must implement the technologies that allow people to embed some of their own personal interests in their work, to grow, and to help build marketable skills as they move along their career paths.

Key Considerations for Change Management

1

Assign a set of dedicated vendor / supplier management resources from Day 1 of the project (it's a project in itself).

2

Identify design team members that would leverage this opportunity to tailor / change (even if significantly) your current processes. Do not try to build your current process into a new system.

3

Empower one single individual as the decision maker for each process area.

4

Train resources early-on during product implementations.

5

Hire product specialists at the start of the implementation.

6

Avoid using pure business operations based resources as product configurators.

7

Hire / develop a data analysis and reporting team that would understand product data structures and support reporting.

Chapter 5

IMPACT OF TECHNOLOGY MODERNIZATION ON RISK MANAGEMENT

There are so many large, systemic risks to monitor in the world today that it can be difficult to know where to start. There are numerous risks that public sector procurement professionals need to manage throughout the source-to-pay lifecycle – from supplier-related risks to cyber breaches of data and personal information. When it comes to risk, the best offense is a good defense. Technology enables procurement teams to strengthen their defenses and provides the flexibility to evolve risk management practices in the face of changing regulations and standards. According to Dipan Karumsi, Principal at KPMG LLP, *“as integration amongst functional silos, cross-functional analytics, and artificial intelligence continue to improve, procurement teams can become more proactive in identifying vulnerabilities before they become critical issues.”* KPMG notes that there are five attributes that drive strong risk cultures:

1. An intense focus on the public interest
2. Unquestionable strong tone from the top
3. Core values that drive behaviors
4. Embedded risk mindset in day-to-day operations and decision-making
5. Accountability for actions



Eating the Elephant

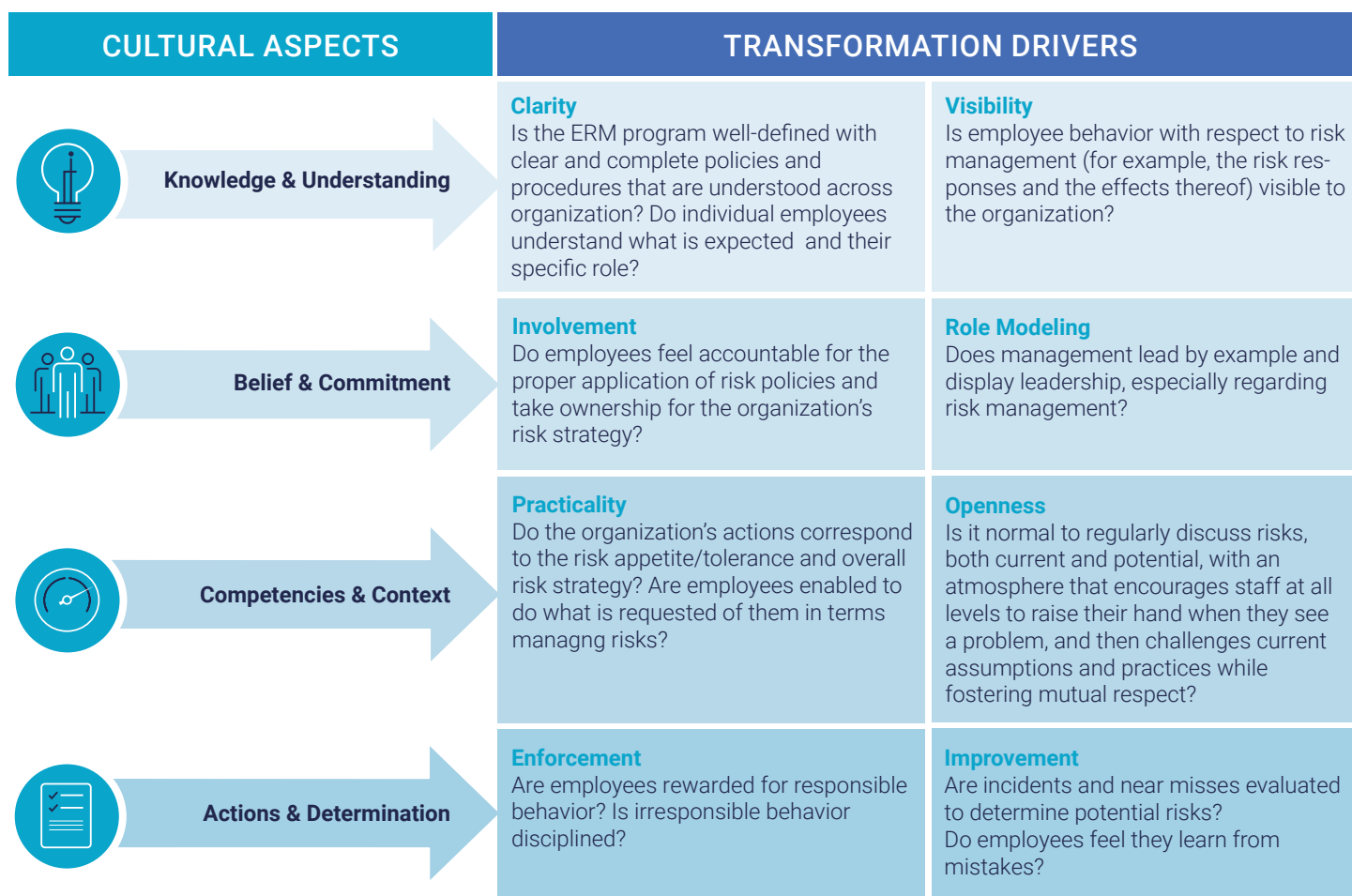
As the classic saying reminds us, even an elephant can be consumed one bite at a time. State governments and large cities and agencies are faced with elephants of their own each day. Managing the risk associated with 65,000 or 100,000 suppliers may seem paralyzing. Where should procurement start and what are the most important things to focus on?

Spend and supplier management activities have to be segmented and addressed in order of priority. Technology plays a critical role in making this task possible and efficient.

Although the information may be required, it is not feasible to send a 250-question spreadsheet to 150 critical suppliers and expect that procurement teams and stakeholders have the bandwidth to manually review and score them all. Even if this gargantuan task were somehow possible, it would be impossible to manage it on a recurring basis.

Procurement teams should proceed with the end goal in mind, and leverage technology whenever possible to centralize, automate, and support.

Risk Culture Conceptual Framework



Source: Journal of Government Financial Management, Summer 2019 Vol. 68, No. 2

Global Supply Chains

Despite the emphasis on local business, nearly all supply chains are now global. Even if a tier-one supplier is located in the same municipality, they may be relying on a producer or manufacturer that is based overseas.

Procurement has to have processes to cover the risk associated with multiple tiers of suppliers. It is one thing to point out that managing risk in a certain area is the supplier's responsibility, but if there is a shortage or disruption, that affects procurement's ability to serve the public.

Technology allows everyone to participate in the process of risk management. With a modern procurement platform, a designated risk management lead is more like a project manager. Their subject matter expertise becomes scalable through the combined input of technology and distributed individuals.

Whether it is through a standardized supplier risk questionnaire or evaluating supplier risk levels in advance of running a bid, the need for speed and certainty go hand in hand, and suppliers themselves have a key role to play. As procurement teams adopt technology and alter processes, there is always the chance of a new risk or barrier being created. Without strong relationships and the ability to communicate with suppliers, that information is never going to reach the people who can resolve the problems.

When "eating the elephant" in public sector risk management, procurement teams can't allow themselves to become overwhelmed and do nothing. The right approach is to start making incremental improvements that are informed and facilitated by centralized procurement tools.

Service Continuity

If the public sector needs to stay up and running in all types of conditions, so do their suppliers. Having plans in place and knowing what suppliers are supposed to be capable of is one thing but seeing them do it under pressure is another.

In some cases, state and local governments can manage risk internally through safety stock and multiple prequalified supply sources. In other cases, such as with complex services or independent contractors, everyone needs to keep working in order to deliver on public expectations.

Where safety stock is the issue, investments may be made to increase inventory to give citizens a level of comfort that their investments have been used wisely. Even when the most unexpected events and circumstances come to pass, public sector procurement tends to end up with negative branding for not doing enough.

Backup suppliers are another critical aspect of public sector continuity. If a supplier of a critical product or service goes out of business, there has to be an alternate provider. Staying in operation is a requirement in the public sector and must be supported.

Key Considerations for Risk Management

1

Define and apply system enforced (automated) controls, allowing public procurement organizations to shift to an exception-based approach and way of operating.

2

Expedited but diligent: Structured approvals with the flexibility to support emergency procurement needs (especially considering COVID-19 type of situation where governments will need to procure specific items quickly).

3

Continuous Risk Assessment: Periodic and/or scheduled risk questionnaires to survey supply base and monitor risk throughout the supply chain (e.g. would your supplier be available to do remote support, do they have the right levels of insurances, what is their current production capability, etc.)

4

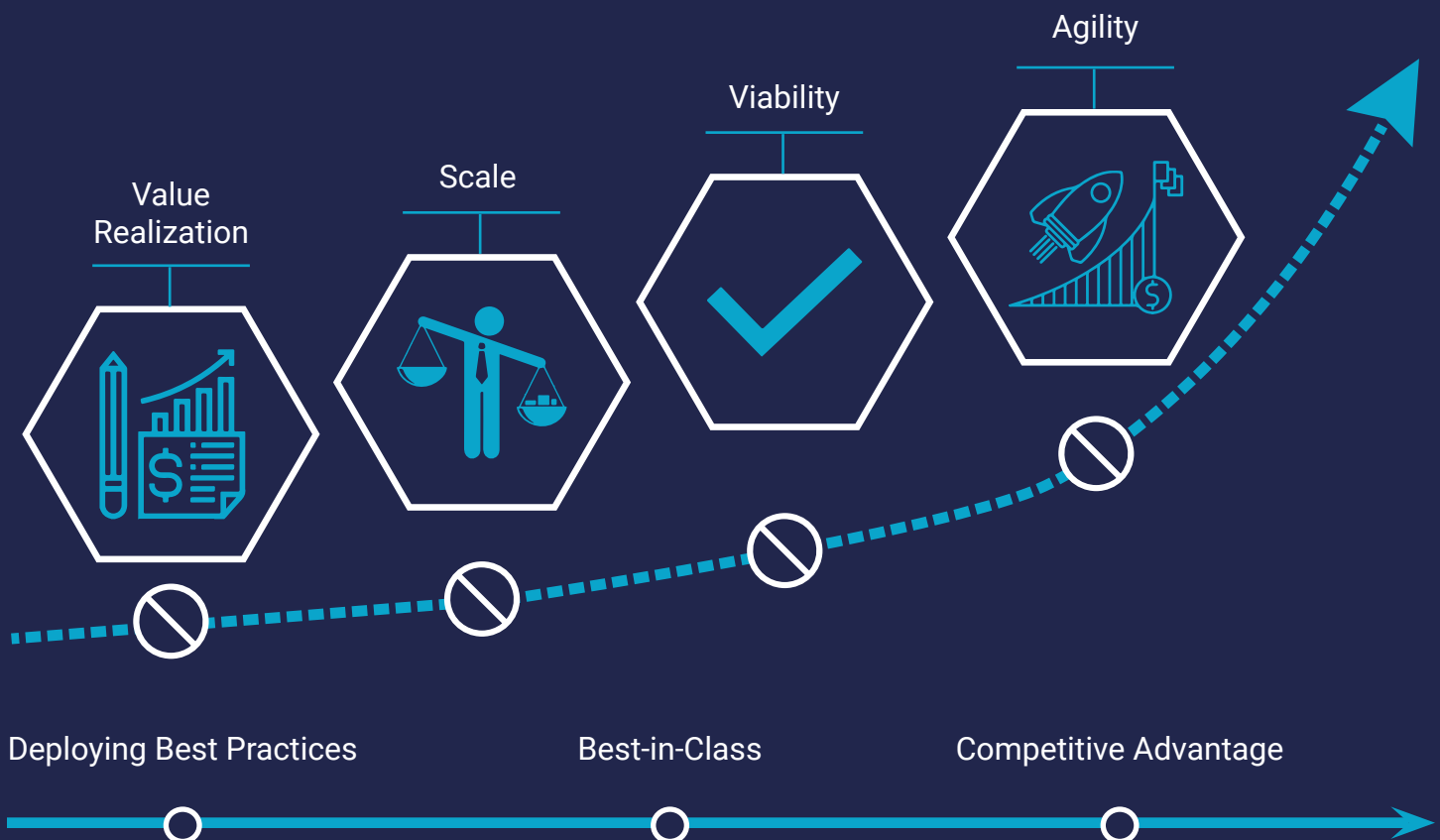
Manage small, diverse business requirements from the proposal process through payment with the clear small business subcontracting plans and self-reporting capability.

In Conclusion:

As Public Procurement progresses along its digital transformation journey, technological requirements will evolve. While technology is key to empowering procurement at each stage, too often the technology selected becomes a roadblock, as the needs and requirements agreed upon in the beginning evolve throughout the journey.

Companies must be cognizant of what a specific technology choice means for their future. Many select a solution based off the current needs and requirements, but as technology is implemented, your situation and needs evolve. Working with a partner who can adjust to your evolving requirements to consistently help you realize value and grow in scale is imperative to the transformation journey.

Procurement Digital Transformation Journey



As is reliability and viability. The technology industry is full of investors and management companies looking to grow and exit. Understanding the history of your vendor and their long-term goals is an often overlooked but important step. Finally, a vendor who is agile is one who can deliver that unique competitive advantage. There are many great structured technologies out there that can successfully deliver on 80% of your needs. But that last 20% requires flexibility and innovation. This is where organizations can find great value in their technology partners. For example, being able to respond effectively and efficiently to changing regulations and constituent demands. Asking questions about the future is imperative to a successful implementation today and tomorrow.

TAKING PROCUREMENT BEYOND SAVINGS TO CONSTITUENT VALUE

The value public sector procurement creates for constituents is becoming increasingly important, and this trend will only continue as the public's visibility grows. There has to be a linkage between the funds spent with each supplier and what the end result is. State and local governments are not exempt from visibility or performance expectations.



Prepare for the future

Future Proof Your Investment: The increase in the pace of technology change and competition to retain talented professionals requires adaptability to enable more business and provide long-term benefits.



Fiscal Responsibility

Responsible Spend Management: Achieve sustainable cost savings by addressing the needs of agency CPOs, drive State and supplier system adoption, minimize cost of ownership and maximize Statewide-contracts.



Reduce Risk

Transparent and Compliant: Provide transparency to the end-to-end procurement process and adhere to the Procurement Code for an open and fair bidding and contract process.



Decision Support

Analytics & Insights: A single platform for access to spend, item and supplier data enabling enhanced analytics and real-time decision support.



Continuous Improvement

Optimized Customer Experience: Improve and extend the capabilities of the Procurement Portal by establishing a support network including a help-desk and change control board.

Procurement organizations need to be able to show the type of value that was derived, the type of risk that was avoided, the spending that was avoided, or the supplier performance that was gained over a broad range of projects. Their work is never simply about saving money.

The more procurement can do across the various functions, the more aligned they will be with the constituents – both voters and suppliers. Various levels of leadership must feel comfortable that procurement is able to carry out the mission of that particular federal agency, state and local government, or high education institute and drive maximum value for citizens.

The opportunity to transform Public Procurement from descriptive to predictive is here. Technology platforms can enable and empower procurement professionals to reach new heights and deliver more value. Those who have begun their journey are already seeing results. If the past year has taught us anything it is that future of Public Procurement is too important to ignore. Now is the time to transform. Now is the golden era of Public Procurement.

About Ivalua

Ivalua is a leading provider of cloud-based Spend Management solutions. Our complete, unified platform empowers businesses to effectively manage all categories of spend and all suppliers, increasing profitability, lowering risk and improving employee productivity. Trusted by hundreds of the world's most admired brands and recognized as a leader by Gartner and other analysts, Ivalua maintains the industry's leading 98%+ customer retention rate.

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ALL Spend, ALL Suppliers, NO Compromises