Government Procurement 2.0

The state of Georgia transforms its procurement function

Posted: January 12th, 2011 10:29 AM CDT

By Andrew K. Reese

The Great Recession has hit individual state governments with a ferocity rarely seen in the past. As just one sign of the impact, the National Conference of State Legislatures (NCSL) has reported that the 50 states have seen a collective budget gap of more than $300 billion since the economy first tipped into recession in December 2007. The result has been layoffs and furloughs of state employees, facility closures, restrictions or the end of services, and countless other belt-tightening exercises.

The state of Georgia has not been immune to the impact of the recession, projecting a state budget nearly 20 percent smaller in 2012 than it was at the start of the recession, down from $20.5 billion to $16.5 billion. But Georgia also has benefited from an ongoing procurement transformation initiative that has seen the state bring huge amounts of spend under central management and achieve significant cost reductions through the application of strategic sourcing. Says Brad Douglas, commissioner with the state's Department of Administrative Services, "We would be in much worse shape if what we have done had not occurred."

Private Sector Experience

When Douglas joined the government of the state of Georgia in 2005 as assistant commissioner for procurement at the Department of Administrative Services, it was something of an experiment for both Douglas and the state. At the time, Governor "Sonny" Perdue was leading an initiative to transform the state's operations, and a key element of Perdue's initiative involved bringing in experienced executive talent from the private sector to oversee the transformation, including in the state's procurement office.

Douglas, meanwhile, had spent nearly two decades in the business world, including eight years running the procurement operations at large companies in the staffing services and hospitality sectors. "My rationale for coming to Georgia was that, in 18 years in the private sector, I had always wondered whether the business principles that I utilized in the private sector were applicable to the public sector," Douglas says.

After just five months as assistant commissioner, Douglas was promoted to commissioner, and he brought in Tim Gibney to fill his assistant commissioner post. Gibney had previously headed procurement at the University of Notre Dame, where he had implemented a procurement transformation initiative that included successfully rolling
The Move to a Strategic Mindset

Georgia brought in consulting firm **A.T. Kearney** to act as the state's "transformation assistant," providing more than 20 "feet on the street" to assist the state in getting through the initiative. Kearney helped the state define an optimal organizational structure under the guidelines established by the Procurement Taskforce of the Commission for a New Georgia, a body set up by Perdue to establish a vision for the transformation of state government. The consultants further helped in capacity building — outlining new workflows and defining the capacity that the state's procurement office could sustain, so that Douglas could ensure adequate staffing levels. Kearney also helped rewrite job descriptions, perform a fit-gap analysis of technologies to support the transformation, and revise and reengineer processes and policies to streamline administrative processes that didn't add value to procurement.

The roadmap that the state's procurement leadership mapped out with A.T. Kearney called for moving procurement staff away from a transactional focus to a more strategic role. That meant implementing processes and technology that would allow for routine transactions to be automated — taking the paper-pushing out of procurement. But it also meant creating a procurement workforce that had higher level skills in areas like negotiation, project management, collaboration and strategic sourcing. Therefore, early on in the transformation initiative, the staff in the state procurement office went through an evaluation process to determine whether their skill sets — and mindset — matched the procurement office's more strategic direction. Shockingly, of 40 staffers who entered the process, only five were rated as capable of moving in a more strategic direction.

A.T. Kearney also helped the state set up a seven-step strategic sourcing process, which Douglas says was a critical component of the transformation. "Without a strategic sourcing process, what you end up with is someone sitting in an ivory tower saying, 'Well, what can we go source today?',' Douglas explains. "That's how you end up with a state-wide contract for trash bags, instead of a contract for maintenance, repair and operating suppliers covering 20,000 line items. With a strategic sourcing process, you have someone who says, 'What are all the items that go into running a building?', and then goes out and leverages the marketplace to put together a broader set of goods that can be combined on a contract, with a rationalized supplier base."

Organizationally, the state procurement office now includes a strategic sourcing group built around four commodity teams targeted at Technology (headed by the Bell South veteran), Goods (the recruit from AMD), Services (led by a longtime staffer who stayed on with the procurement team) and Infrastructure (headed by a retired Air Force officer who previously helped lead the introduction of strategic sourcing to that branch of the military). Supporting the strategic sourcing teams is a group dubbed "the Knowledge Center," where staff do spend analysis to identify gaps in spend under management and opportunities for putting in place a leveraged, state-wide contract. The Knowledge Center staff also work on evaluating, selecting and implementing technologies to support the state procurement function, as well as on the state's new training and certification program for procurement, and process improvement.

With regard to training, Douglas notes that the state previously had only two purchasing courses for staff, "Welcome to State Purchasing" and "Purchasing Fundamentals." Today
they have more than 30 courses, some of which are instructor-led classroom courses, others that are computer-based. To date, they have had more than 5,000 "course sittings" by buyers and staff both within the state procurement office and also among hundreds of buyers across the different agencies and universities. The office also started its own three-tiered certification program, offering the "Georgia Certified Purchasing Associate" (GCPA), which covers fundamental workflows; "Georgia Certified Purchasing Manager" (GCPM), which includes higher-level negotiating and RFP skills; and "Georgia Certified Purchasing Card Administrator" (GCPCA), for staff who manage P-card programs. The state purchasing office offers access to the courses and certification programs to the other state agencies and universities so that those entities can raise their skill sets to the level of the state purchasing group.

Team Georgia Marketplace™

With new staff in place and new processes outlined, Douglas and his team turned to the technology side of the equation. Douglas emphasizes that focusing on the people and processes before bringing in enabling technology was crucial to the success of the initiative. "You have to start with the people, then work on the processes and then the technology. If you don't go in that order, you're going to automate a bad process and a poor performing staff," he says.

In looking at how to enable the new procurement process in the state government, Douglas said one requirement that emerged was the need to give the state's buyers an "Amazon.com-like" experience — that is, to make it easy for them to find the right product on the right contract. "In the past, our group could have written the best, most highly leveraged state-wide contract you've ever seen, but no one could find it and no one could tell what was on the contract or what the price was or find the specs or an image of the item," Douglas says.

After evaluating its options, the state decided to set up an e-procurement system that it dubbed Team Georgia Marketplace, based on a solution from SciQuest combined with PeopleSoft procurement modules, and integrated with the state's existing backend PeopleSoft financials system. The SciQuest solution allows Team Georgia Marketplace to be populated with products from negotiated state-wide contracts. The technology provides a user-friendly shopping experience on the front end to drive a more efficient procurement process, as well as contract compliance and better spending practices by end users. But it also automatically tracks and reports on spending by, for example, suppliers, products or categories, to assist the strategic sourcing teams.

In addition, the Team Georgia Marketplace will be made accessible to all public entities in Georgia that utilize the required technologies, enabling county and municipal organizations to access the state's contracts even while increasing the buying volume the strategic sourcing managers utilize in their negotiations with suppliers. In effect, Georgia will create the nation's largest group purchasing organization in the public sector.

Results

Georgia is rolling out its procurement transformation in waves, and the initiative currently encompasses a dozen different state agencies, out of a total of 80 agencies plus 30 universities. Yet even at this early stage, the project has yielded impressive results. Prior to undertaking the initiative, the state effectively had just 6 percent of its spend under management, while today that figure has increased to nearly 60 percent, with a goal of reaching 80 percent by fiscal year 2012. Requisition-to-purchase order cycle times have dropped dramatically, from as much as 20 days to just two days, for the agencies using the system. Strategic sourcing efforts have yielded additional...
discounts of from 5 percent to 20 percent on the goods covered under new contracts, while improved workflows and efficiencies, along with purchasing automation, allow thousands of users to now take advantage of next-day deliveries for a wide range of goods. Meanwhile, the automation has allowed some departments to completely eliminate paper from their procurement processes.

Douglas admits that Georgia's procurement transformation is an ongoing process. "It's a journey, in the sense that we're not really sure where it's going to end," he says, explaining that while the state believes it has addressable spend in the range of $4 billion, the success of the procurement initiative to date has opened up the possibility that the state procurement office could eventually capture significantly greater amounts of spend — and drive much greater efficiencies — as the initiative progresses. "The truth of the matter is, we keep finding more and more [spend to address], and we keep getting smarter every day. It could get to be $5.5 billion — we just don't know. I just know it's high, and its highly 'leverageable.' And now we can start to bring it under management."

Related Links

- A.T. Kearney
- A.T. Kearney Procurement & Analytic Solutions
- Georgia Department of Administrative Services
- SciQuest

Related Article

- The Rapidly Changing Nature of Government Procurement — Georgia's efforts to transform how government manages its supply and demand chain reveal the need for new procurement processes, technologies and skills

Printable version may be for personal use only. Content may not be duplicated, re-used or otherwise replicated without expressed, written consent from S&DCExec and/or the original author/source.

Provided by S&DCExec - A Cygnus Business Media site

Visit S&DCExec daily for the latest industry news, commentary, features and more.

» Click Here to Print This Page «