

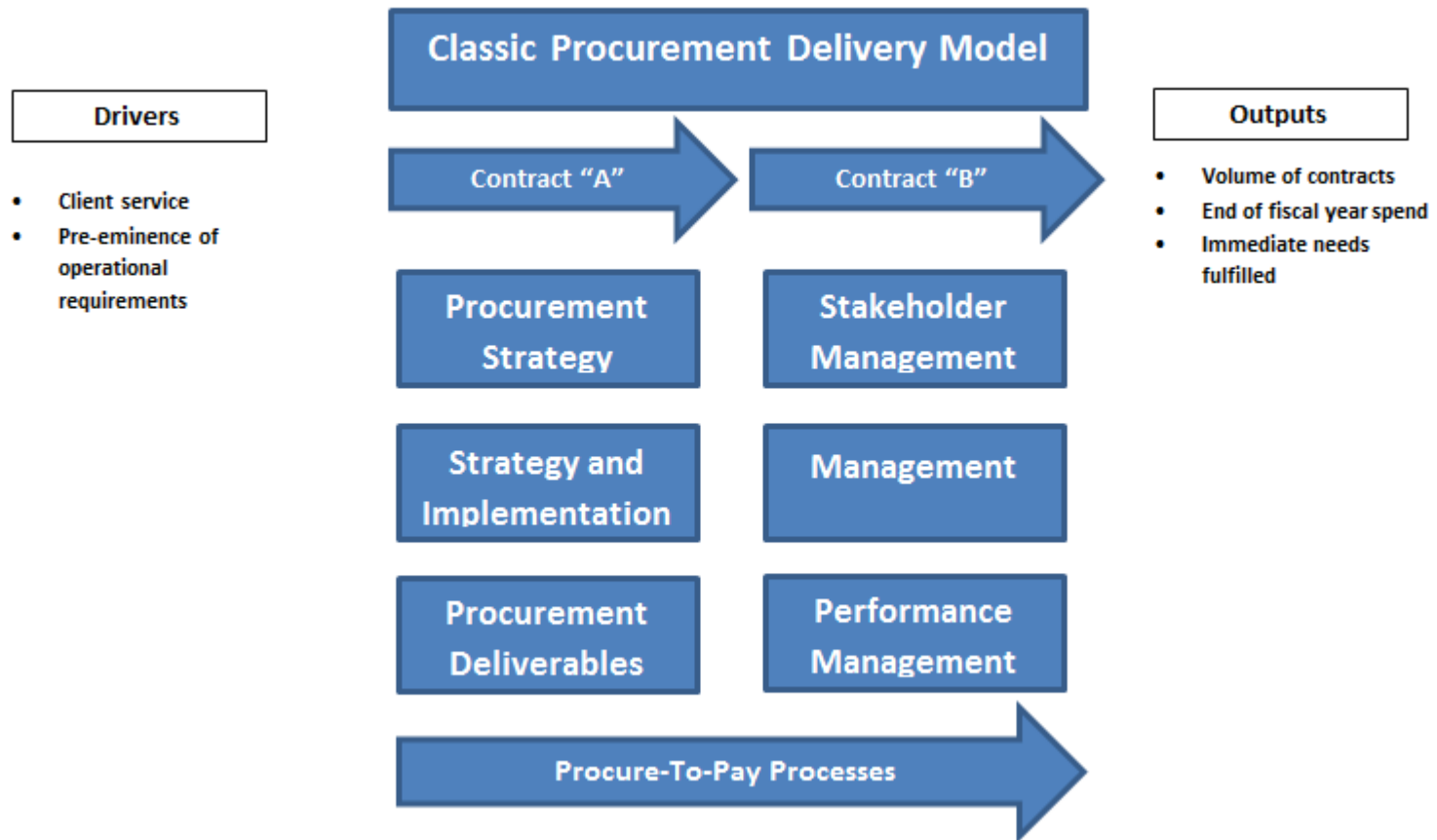


Overview

1. Classic Transactional Procurement Model
2. Commodity Management Model
 - Success Factors
 - Advantages
 - Disadvantages
 - Lessons learned
3. Questions/Discussion



Classic Transactional Procurement Model





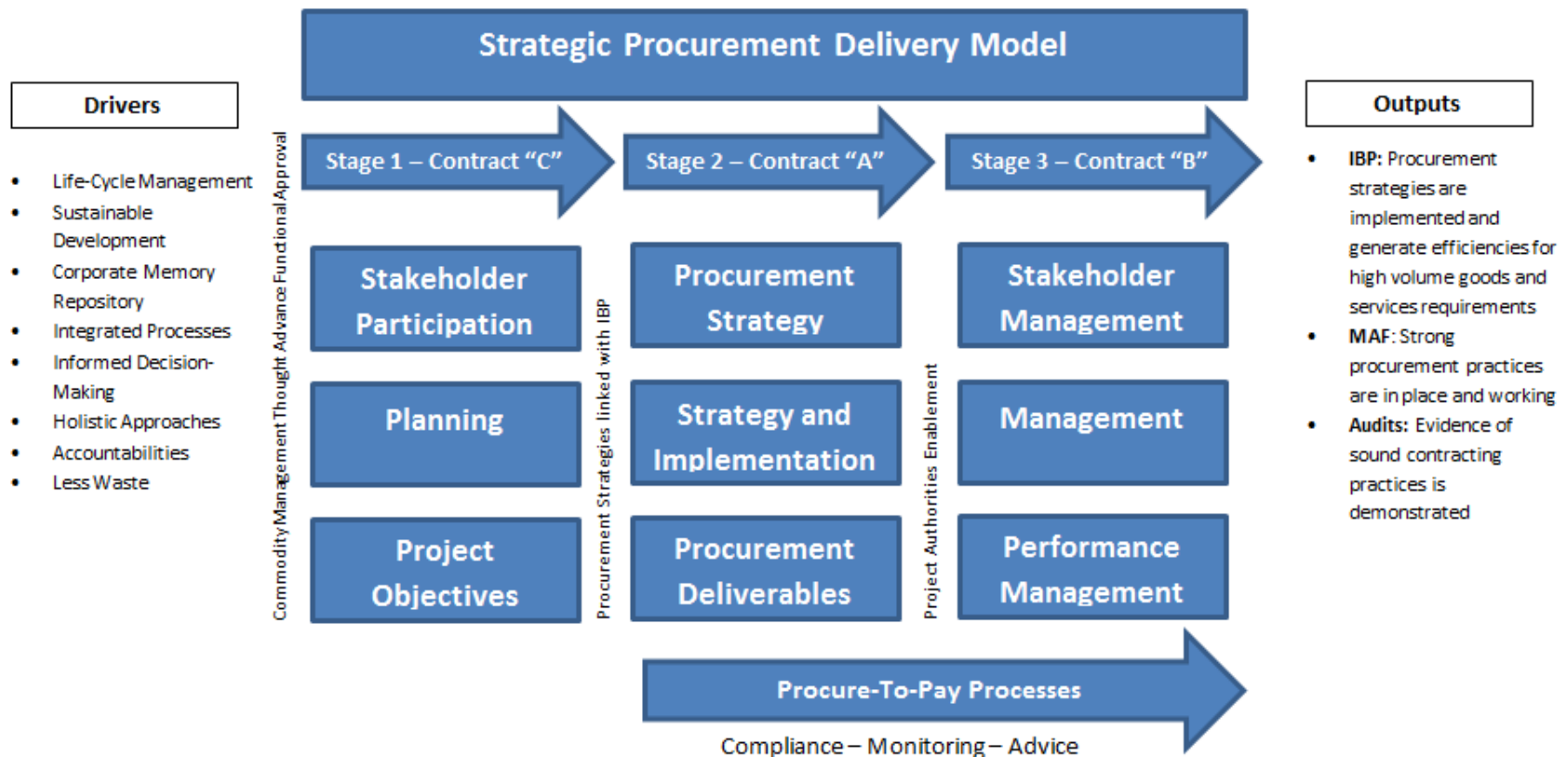
Classic Transactional Procurement Model

- Under this Model:
 - As long as a government organization has available funding and supporting procurement documentation, the role of Procurement is limited to expediting contract requests efficiently
 - Following the award of the contract, file management returns to the client
 - Segregation of responsibilities within the organization makes it difficult to tie the output of the contract to its initial intent
 - The lack of structure and monitoring after contract award results in lost opportunity for the organization
 - With the emphasis on expediency rather than measuring the outcomes of contracts, the result is a loss of focus on results and accountabilities



Commodity Management Procurement Model

Awareness >> Concern >> Influence >> Control





Commodity Management Procurement Model

- Innovative approach to investment and life-cycle and asset management, enabled by Procurement
- Goals:
 - **Holistic approach to procurement**
 - **Long-term planning and strategy**
 - **Efficiency**
- Model is not to be confused with a Centralization Model, where:
 - Requests are subject to CFO approval on a case by case basis
 - Requests are simply routed through Contracting
 - Goals are to **prioritize spend** and to **ensure cost control**



Commodity Management Procurement Model

- Under this innovative procurement model:
 - **Cost Centre Managers/Clients** continue to identify their needs
 - **Appointed National Commodity Managers** coordinate these investments and are responsible for national oversight of the equipment and/or items under their area of expertise
 - **Procurement** is responsible for executing actions in a strategic manner and coordinating strategic procurement plans for action
 - **Procurement requests are subject to advance approval** by the respective Commodity Managers
 - **Long-term needs are addressed in a holistic manner**, *independent of the usual government budgetary cycle pressures*



Commodity Management Procurement Model

- The **two main drivers** for this Model are to seek and obtain:
 - Advance approval based on Life-Cycle Asset Management plans (LAMPs) and in-depth knowledge of the commodity
 - Advance approval linked to operational objectives as set out in departmental planning exercises as well as with sound program, initiatives and funds management, in support of MAF
- This innovative procurement Model requires the identification of a designated *Commodity Manager*
 - Commodity Manager may be an individual or a group



Commodity Management Procurement Model

- Under this Model:
 - Procurement is mandated to challenge a *potential* requirement prior to a formal contract request being made
 - There is no longer an expectation to simply action all contracting requests, but rather the introduction of a critical question: **Why?**
 - It is expected, and encouraged, that Procurement challenge the rationale and intended results of a procurement action
 - The role of the procurement officer is to *enable* achievement of organizational goals, and the Strategic Procurement Delivery Model is a mechanism by which this can be achieved
 - Partnerships, collaboration and oversight from governing bodies, such as the Contract Review Committee (CRC), capable of providing broad perspectives, are integral to the Model



Commodity Management Model: Success factors

1. Procurement requests must reflect legitimate business requirements
 - Officers will return requests that are poorly planned, are not legitimately tied to departmental objectives, contravene contracting regulations, and/or are duplicative
2. Accountability to demonstrate the need for the procurement action, as well as the link to organizational priorities, must return to the contract initiator
 - Procurement intent and resulting added value are of central concern
3. Planning, consultation, collaboration, and an understanding of interdependencies, are key



Commodity Management Model: Advantages

- Quality input
- Quality output
- Measurable results
- Efficiency throughout
- Sustainability
- “Shared” success
- Positions Procurement as a key contributing business partner
- Makes information available to all key stakeholders (no silos)
- Consistent with MAF



Commodity Management Model: Disadvantages

- Requires qualified personnel/expertise
- Requires buy-in from all stakeholders
- Requires clear understanding of Roles and Responsibilities
- Requires a lot of unrewarding work up-front (no instant gratification)
- Requires time
- Requires coordination and ongoing communications
- Requires thoughtful effort and thoroughness
- Requires IT infrastructure (e.g. database)
- Chain only as strong as its weakest link



Lessons Learned on Implementation of Model*

- Procurement is more than black and white transactions
- The earlier the process is formalized the better
- Senior management support is key
- Need Senior Management and procurement staff that can think outside the box and are comfortable stepping outside Procurement's traditional role
- Communication with key stakeholders at all levels is crucial
- Benefits of holding a central fund from a strategic standpoint are not to be underestimated
- Demonstrate key benefits – engage stakeholders by “what’s in it for you”
- Strategic view is critical

* Or: Another example of Procurement taking over the World!



Questions/Discussion