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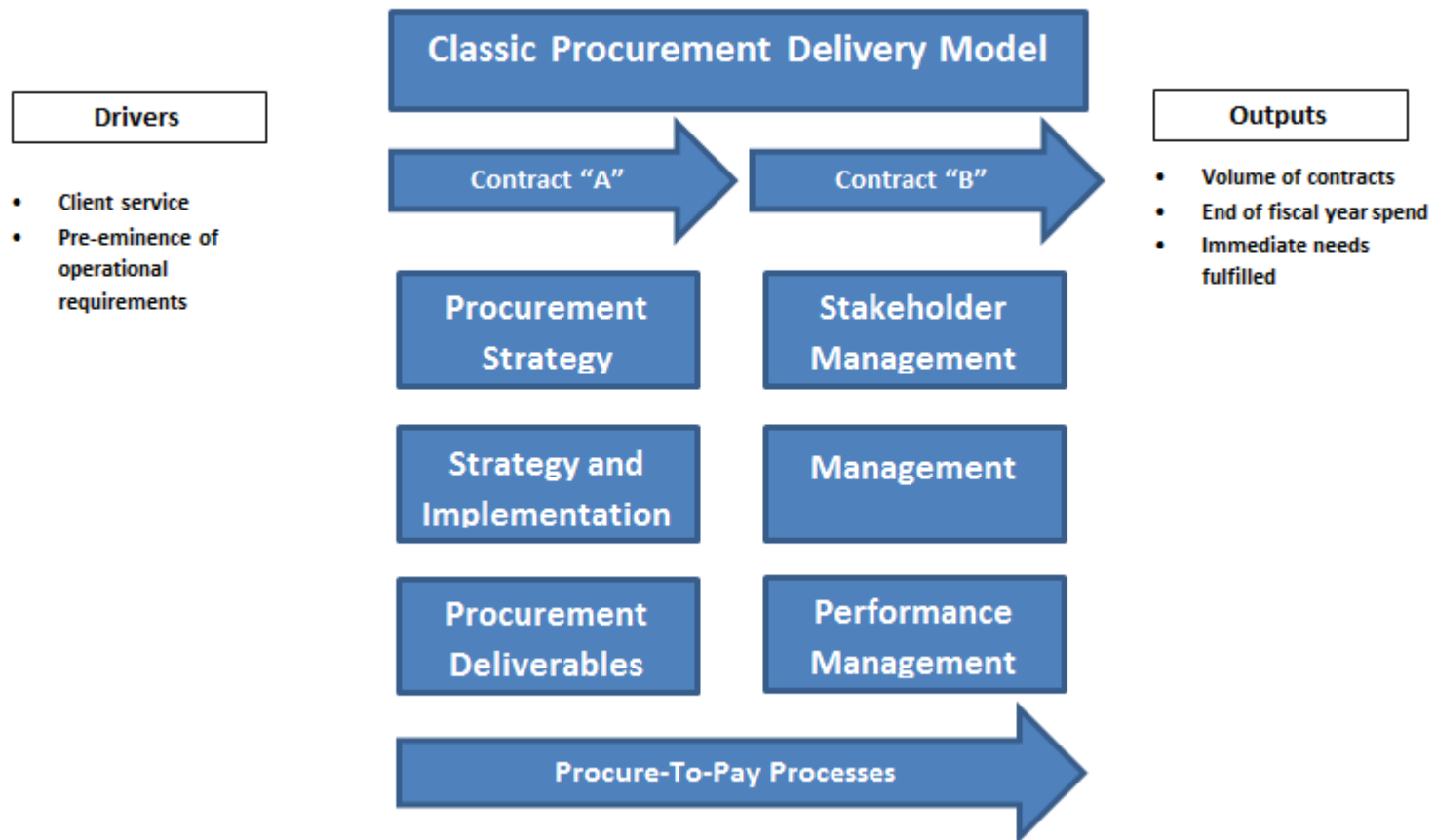




# Overview

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

# Classic Transactional Procurement Model



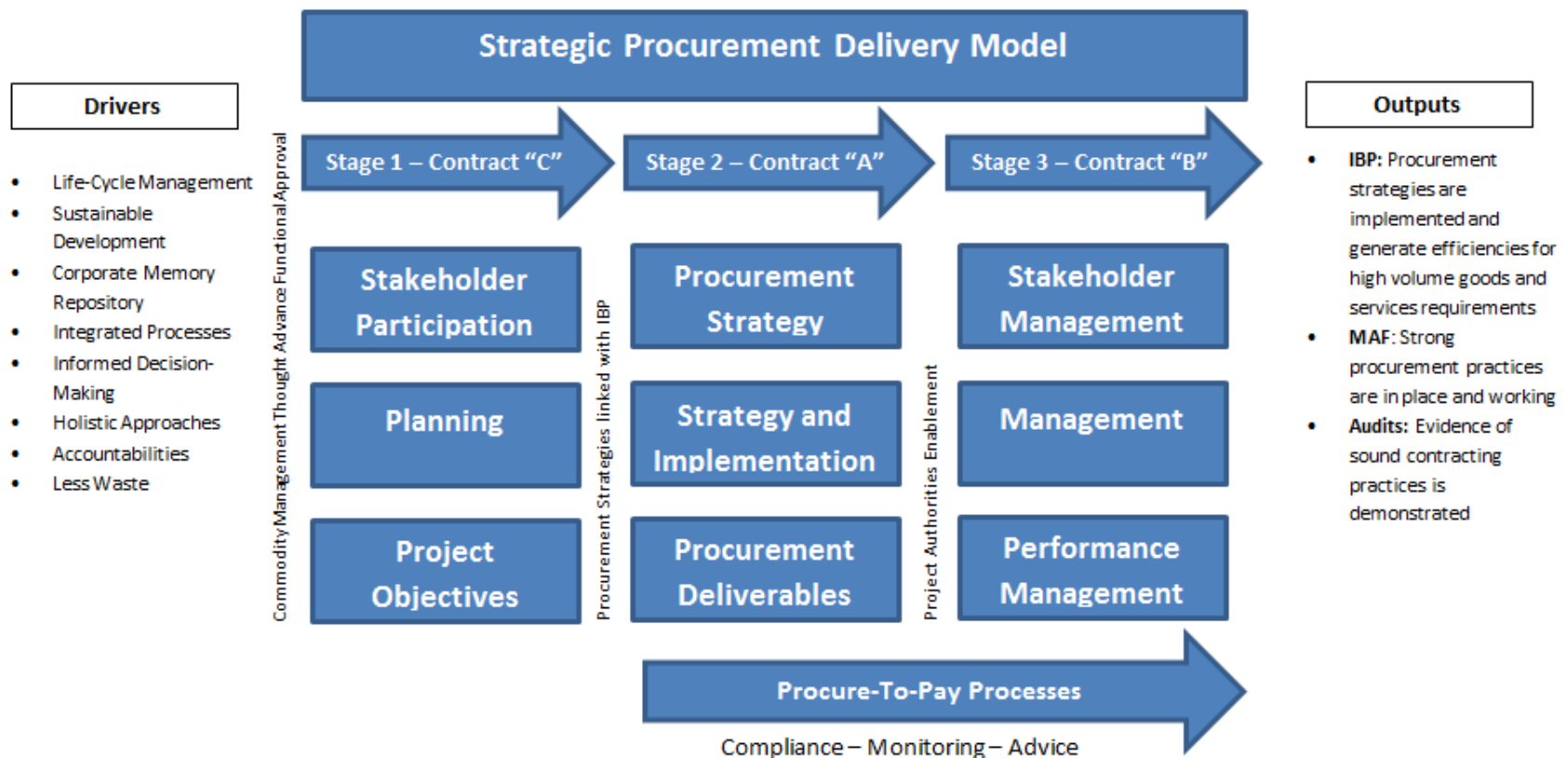


# Classic Transactional Procurement Model

- 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