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# Quantifying value

June 7, 2017

# Our Mission

The Canadian IT Providers Association (CITPA) is an affiliation of Canadian-owned companies that provide Information Technology (IT) solutions to Canada's public sector. CITPA identifies and responds to issues affecting its members' ability to supply high-quality, high-value solutions to their clients in a profitable manner. In addition, CITPA actively engages in activities that market its members' capabilities and values to the marketplace

# Industry Involvement

## **SSC ITIR Advisory Committees:**

- Architecture Framework
- Innovative Canadian Enterprises
- Procurement Benchmarks
- Smart Sourcing
- Vendor Performance Management
- Steering Committee

## **Industry Engagement Events**

- Data Centre Server Storage Infrastructure
- Workplace Technology Device
- Network Solutions Supply Chain
- Converged Communications Services and Contact Centre Infrastructure Services





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# Procurement Benchmarking

## Best Practices and Lessons Learned

Presented by CITPA – Tim Lewis

- Consuming a Commodity
  - Defining Commodities
  - Pricing strategies for maximizing Fast, Good and Cheap.
- Measuring Best Value, Features functions and TCO
  - Historic Best Value Criteria
- Measuring a Purpose
  - Requirements Definitions
  - Maturing the procurement process
- Measuring a supply chain
  - Vendor Performance Management
  - Accountability
  - Encouraging and rewarding excellence

# Procurement Objectives or Getting Procurement Right

- Learn from previous experience which has already achieved some of the objectives discreetly
- Modify them to achieve the higher benefits targeted
- Apply tactics under a procurement strategy and measure results to ascertain
  - Customer Satisfaction
  - Sustainability
    - Technology Supply
    - Competition
      - Price and Value
  - Fostering of Innovation
  - Efficiency of process
  - Accountability in suppliers and procurement process
- Measure and adjust – NOT - Rinse and Repeat

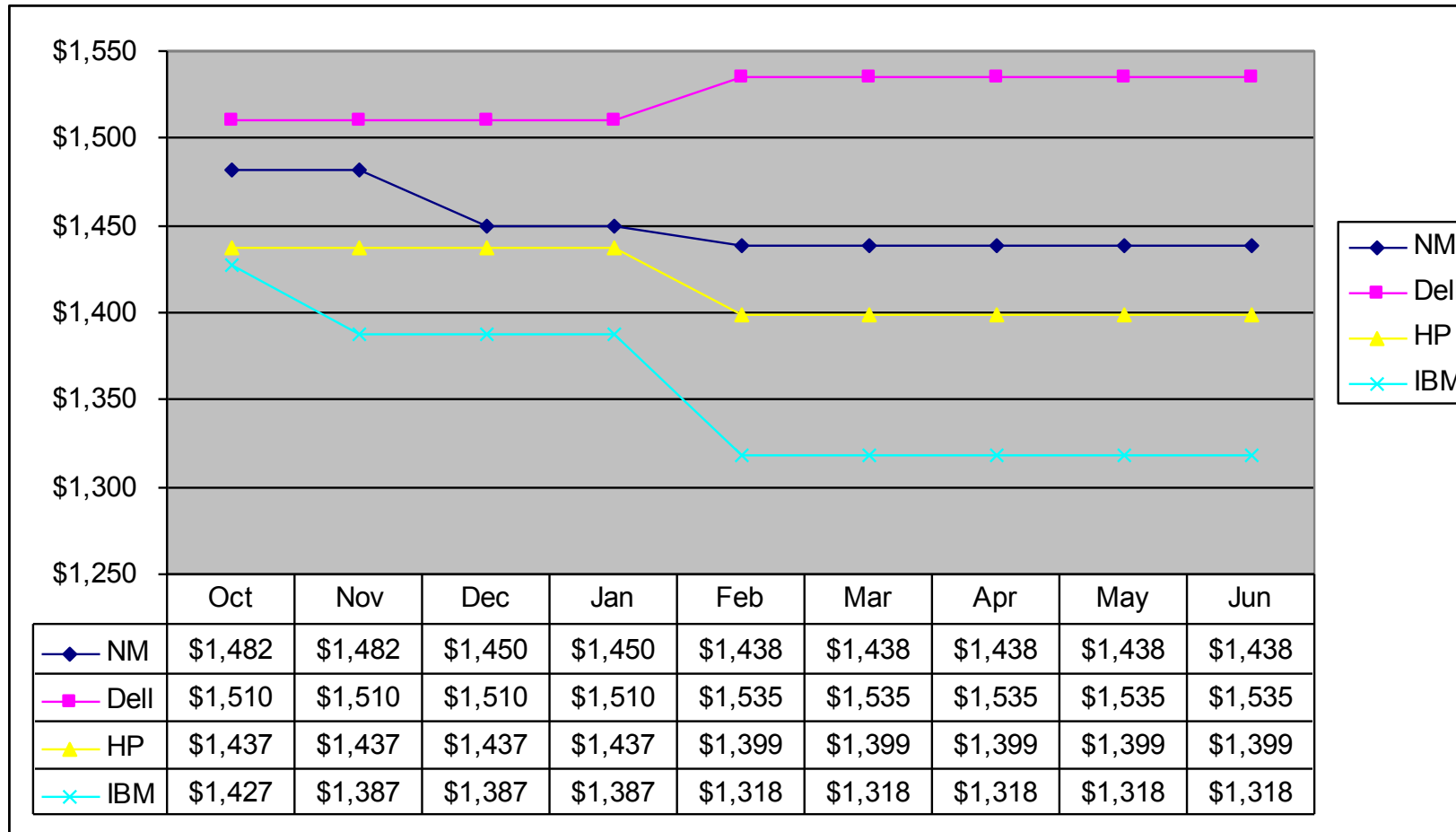
# Getting Procurement Right Sustainable Pricing

## Historicals

- NMSO positions
  - Call-ups and RVDs. – No Movement on price
- Approx. 2002 – 2003
  - Introduction of Elevated Call-ups for increased limits and business Nominal movement on price – Winner Take All
- NMSO 2005 – 2006
  - Introduction of tiered Elevated Call-ups for increased limits and business



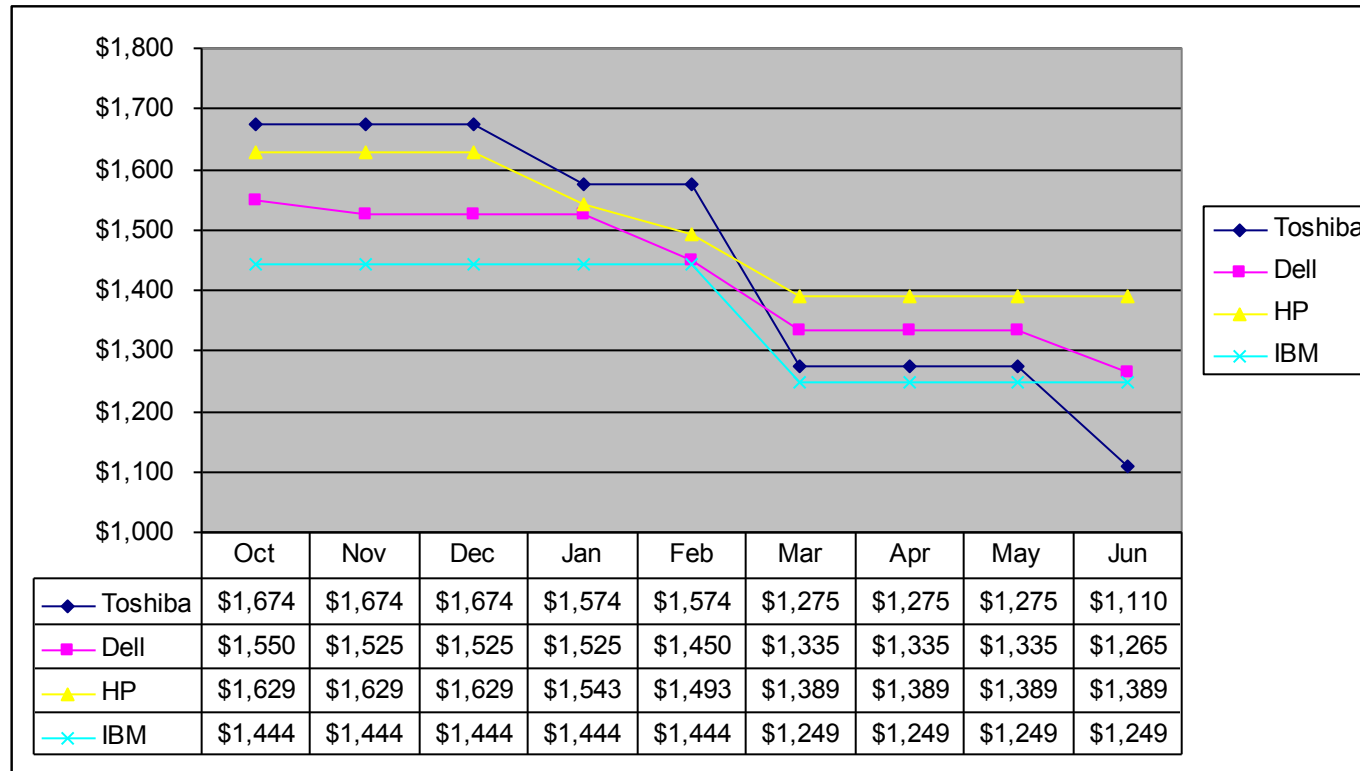
## Price Trends for Desktops – One Winner Elevated Call-ups



**Price has very little movement**



## Price Movement for Notebooks – Tiered Ranking for Elevated Call-up

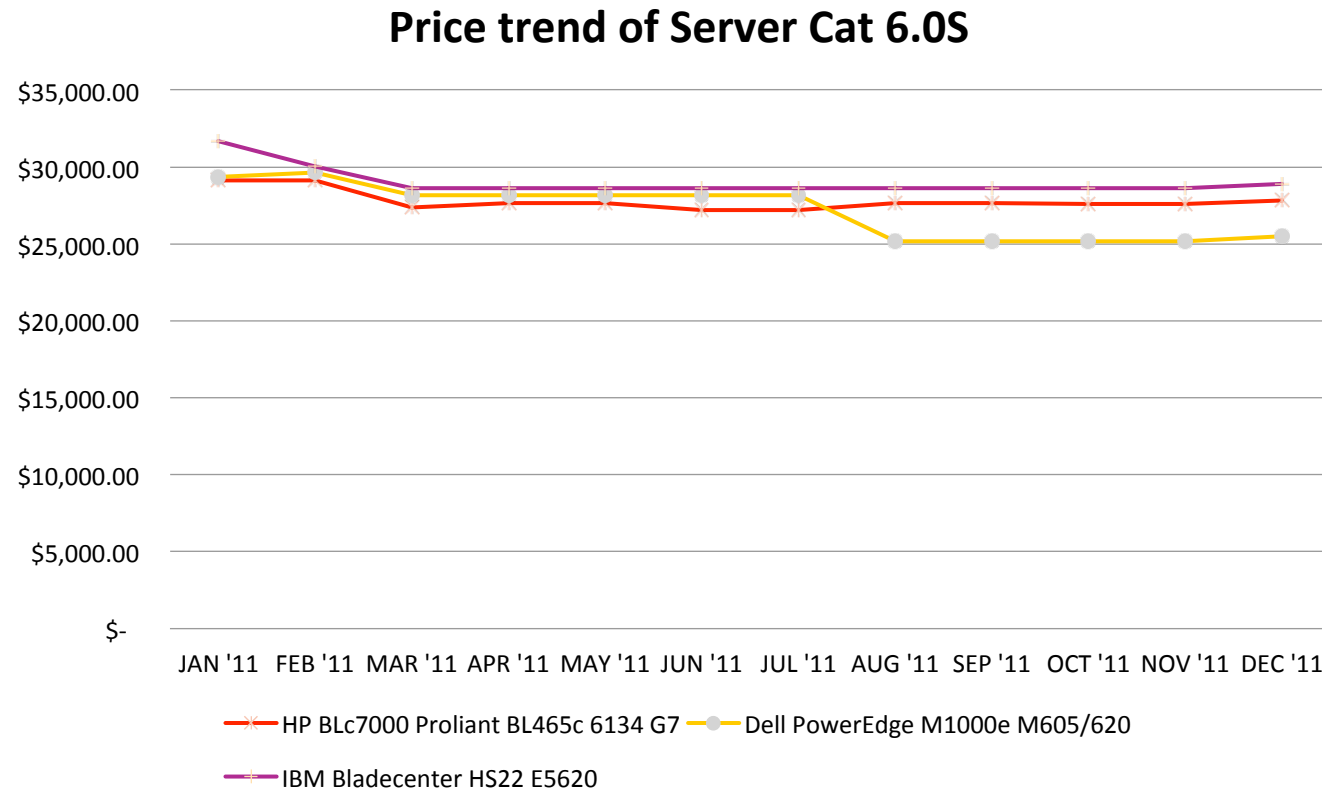


**Price continued dropping after April**

\* Data tracking from NM internal data

# Price Trends for Blade Server

from Jan 2011 to Dec 2011



**Price has very little movement**

Data tracking from NM internal data

# Getting Procurement Right

## Sustainable Pricing (cost)

On-going

- Measurement and Visibility
- Motivation
- Competition
- Reward

# Quantifying Value - Commodity







- Assigning, within a “base-lined” standards based category, a score for measurable characteristics or services associated with a device or technology and then converting that measurement to a value for evaluation purposes.
  - Performance
  - Features
  - Usability
  - And ultimately....
  - **Purpose...?**



# Quantifying Value - Commodity

Overall Scores:

2.0S - RACK-OPTIMIZED 2-SOCKET 2U SERVER:

Overall	RVD Discount	Server Name	Performance	Features	Usability	Compare
13.5	17.59%	Hewlett-Packard of Canada Ltd.DL380pGen8 E5-2630	62.4	4.2	7.6	 compare
12.9	14.37%	Dell Computer CorporationDell PowerEdge R720 E5-2620	50.7	5	7.4	 compare
11.9	9.73%	IBM Canada Ltd.x3650M3 (E5620)	59.3	3	7.5	 compare
11.4	6.81%	Dell Computer CorporationDell PowerEdge R720 E5-2670	39.5	5	7.5	 compare
10.1	0.66%	Hewlett-Packard of Canada Ltd.DL385c G8 6274	36.3	4	7.7	 compare
10	0.00%	IBM Canada Ltd.x3650M3 (E5640)	38	3.5	7.6	 compare

Overall Scoring  
Methodology

The overall score is calculated as the weighted geometric mean of the performance, features, and usability scores and the problem index. It provides a general measure of the overall 'quality' of the system, quality being defined as a combination of the above mentioned scores. The weights used for the scores are as follows:

Weight	Test
50%	Performance
35%	Features
5%	Usability
5%	Problem Index

# Quantifying Value - Commodity

## Benefits on Commodity Value Measurement

- Introduction point for product innovation
- Continue the quantification of the value of the commodity's to supplement the realised value for as and when required acquisitions
- Why does “as and when required” matter –
  - Procurement trends - adjacent technologies, competitive pricing, availability,
  - Consolidation trends – don't squander savings thru purpose drift, avoid “Diseconomies of scale”
- Introduce purpose based evaluation

# Quantifying Value – Purpose based evaluation

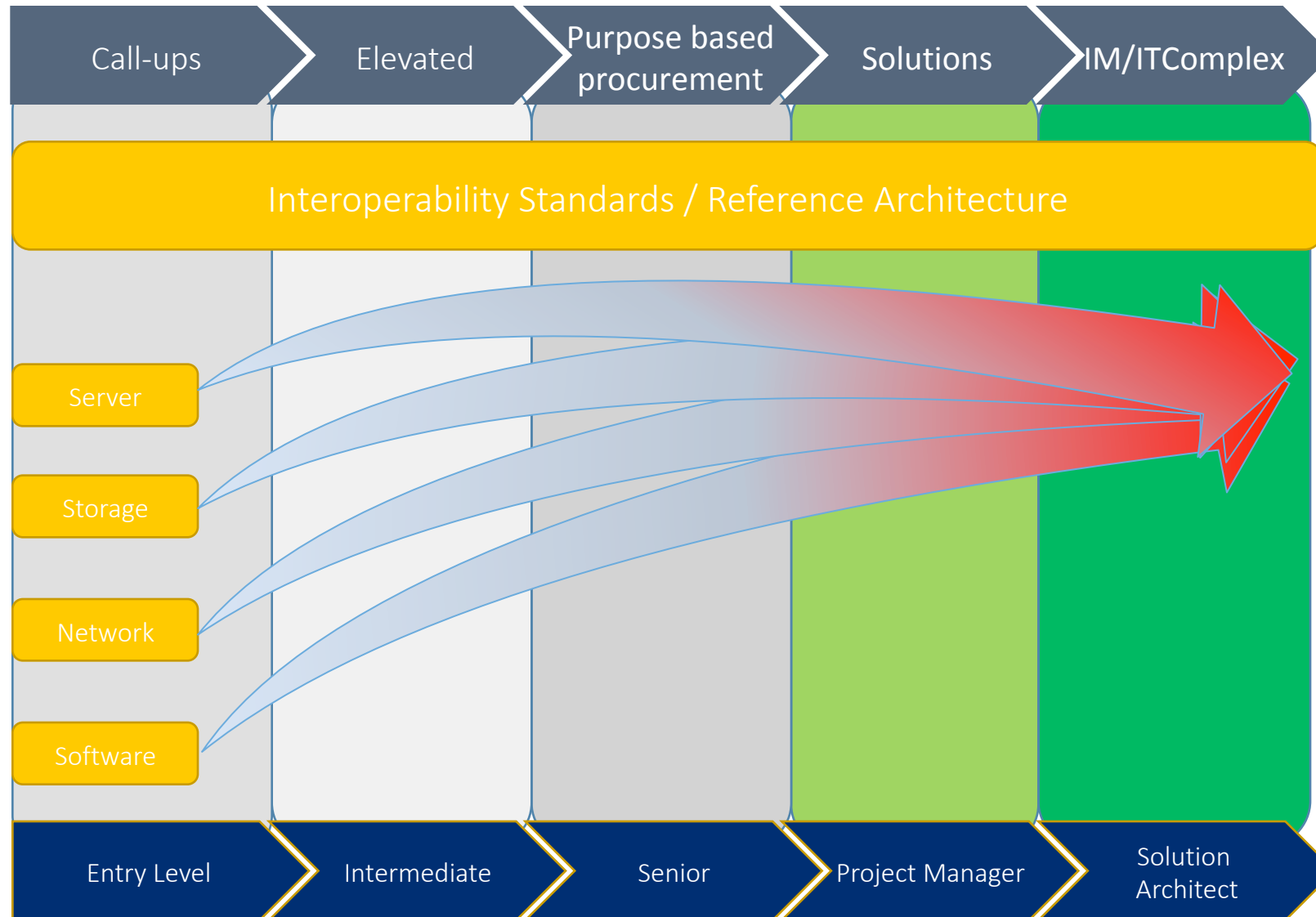
- Introduce the practice of purpose based evaluation utilising pre-qualified technologies mapping to the interoperability standards being developed.
- *i.e. If servers are being procured to deliver a Virtual Machine platform, then it's important to measure and assess the value and quantity of the virtual machine, not the value of the Server. In other words the proper evaluation for a server which is intended to deliver virtual machines is the cost of the platform required to deliver number of VMs (which meet a consistent standard or reference architecture) divided by the number of supportable VM's.*
- *Reversing "Procurement Considerations in Business Decisions"*
- Greater realisation of value and savings - Buy purpose, Measure Value
- Mitigates savings loss through need driven procurement
- Builds capacity in articulating requirements in procurement language to move towards Solution based procurement
  - Capacity for Business Language from IT Groups
  - Capacity for Purpose Measurement in procurement teams

# Quantifying Value –Solution based procurement

- Introduce the practice of solution based procurement utilising pre-qualified suppliers and technologies mapping to the interoperability standards being developed with a less prescriptive definition.
- Introduce an acceptable variable for innovation without compromising the reference architecture standards
- Determine the percentage of the acceptable variable for innovation that will not compromise expedited prequalification.
- Demand POC and value measurement achievements prior to award
- *Further establishing “Business Considerations in Procurement Decisions”*
- *Measure and Score for success and accuracy of delivery*
- Mitigates risk of Bid to Win manage to profitability
- Builds capacity in articulating requirements and in procurement language



# Procurement Framework



## Considerations

- Manage and measure to success,  
Communicate success criteria, contract management in business terms
  - Measure
  - Manage
  - Motivate
  - Reward

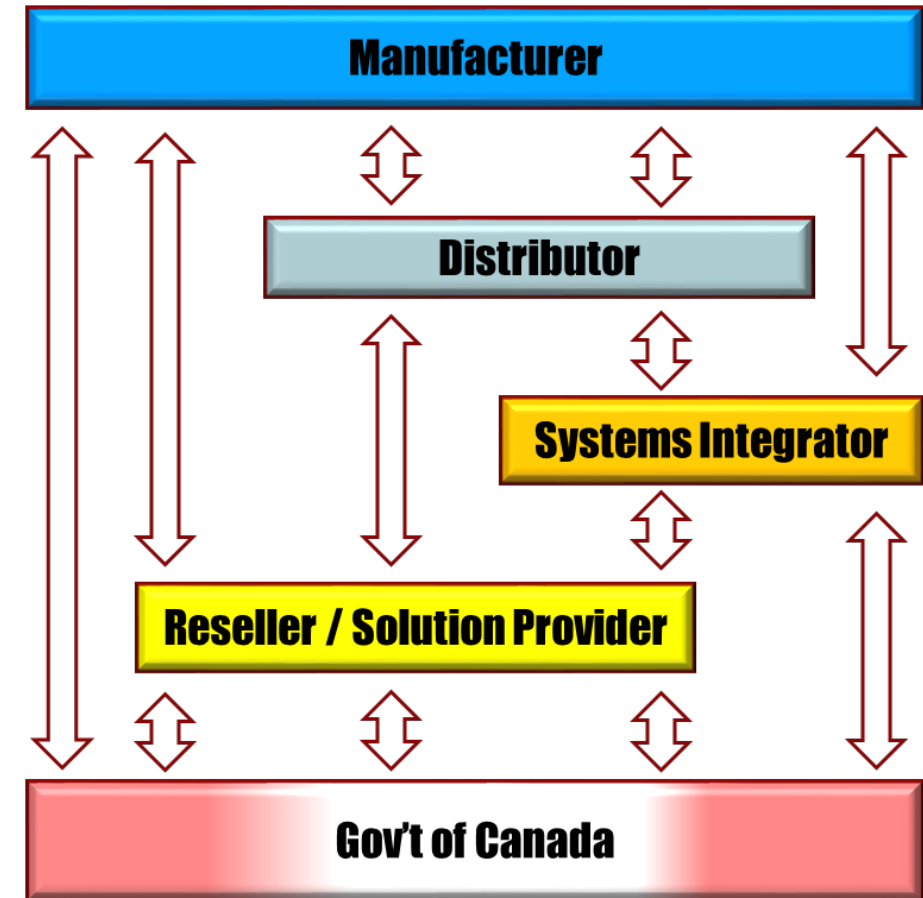
## Vendor Performance Management

# Vendor Performance Management

- Schedule management
- Budget management
- Issue and Risk management
- Business Relationship
- Quality and Delivery

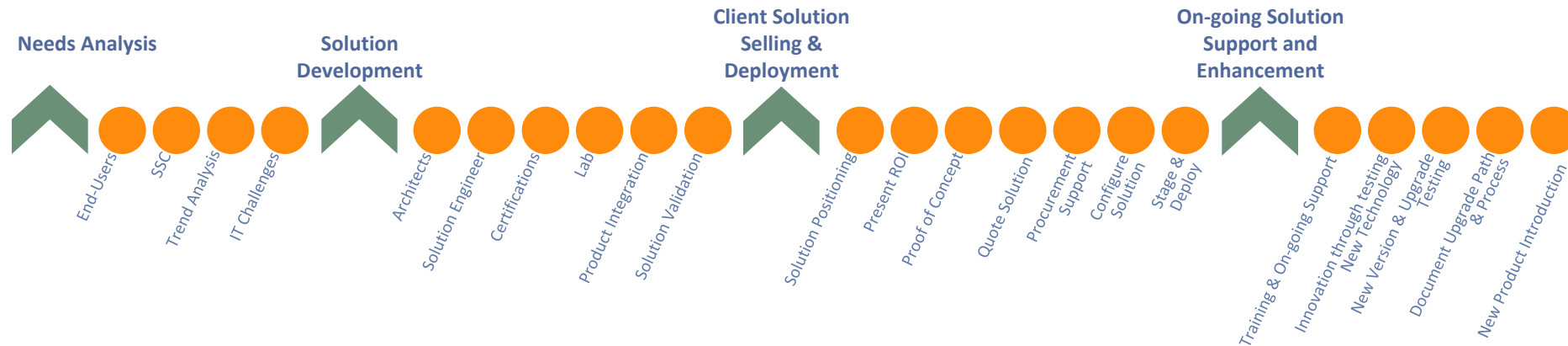
# Cost Optimized ECO-System

- “Natural selection” over 25 years
- Localized engagement - nationally
- Specialized contributions from each category
- Absence of one shifts workloads & costs to remaining
- Manufacturers do not equal the sum of ECO-system
- The GoC is an active member of the ECO-system



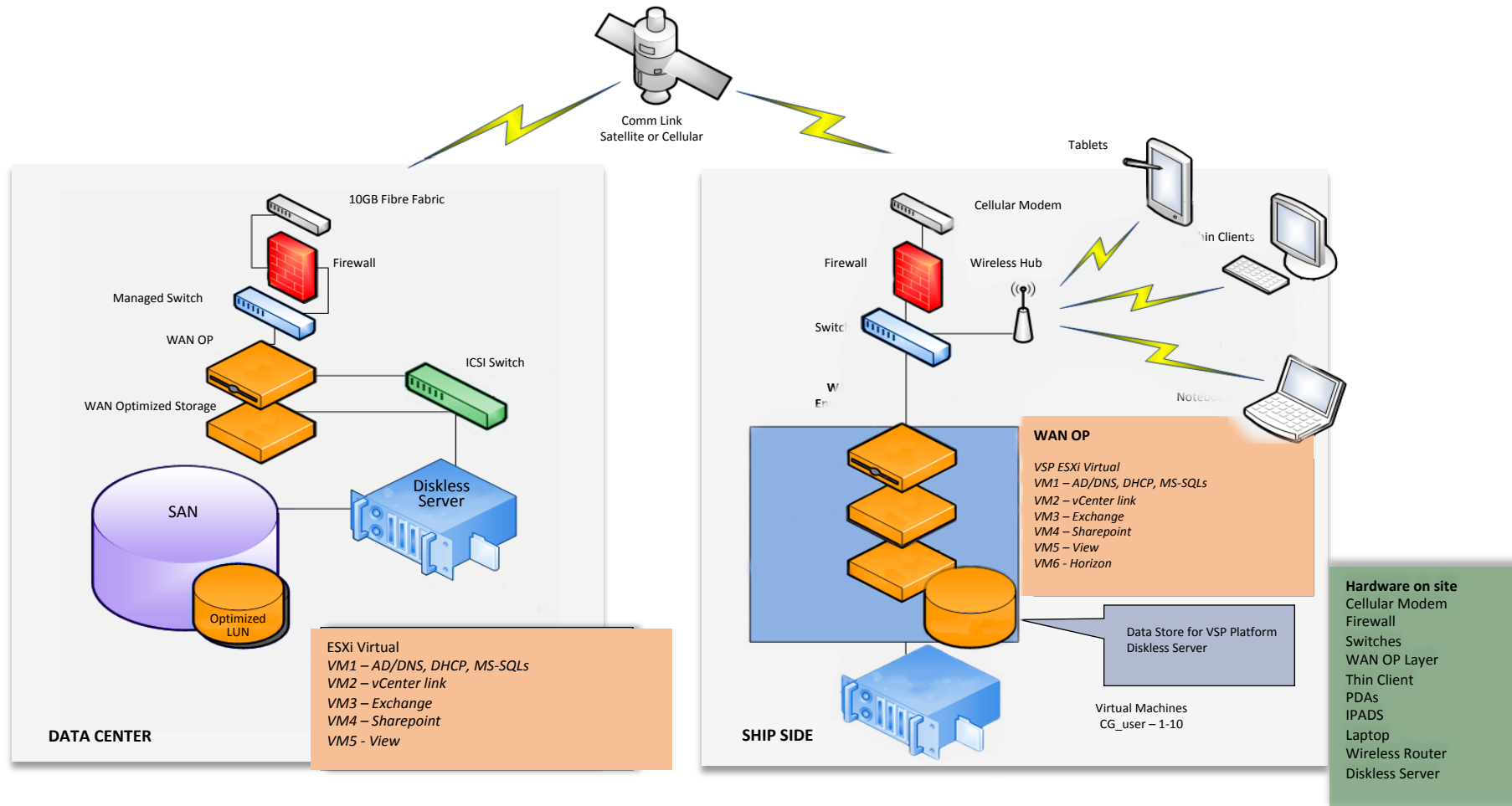


# The Solution Provider

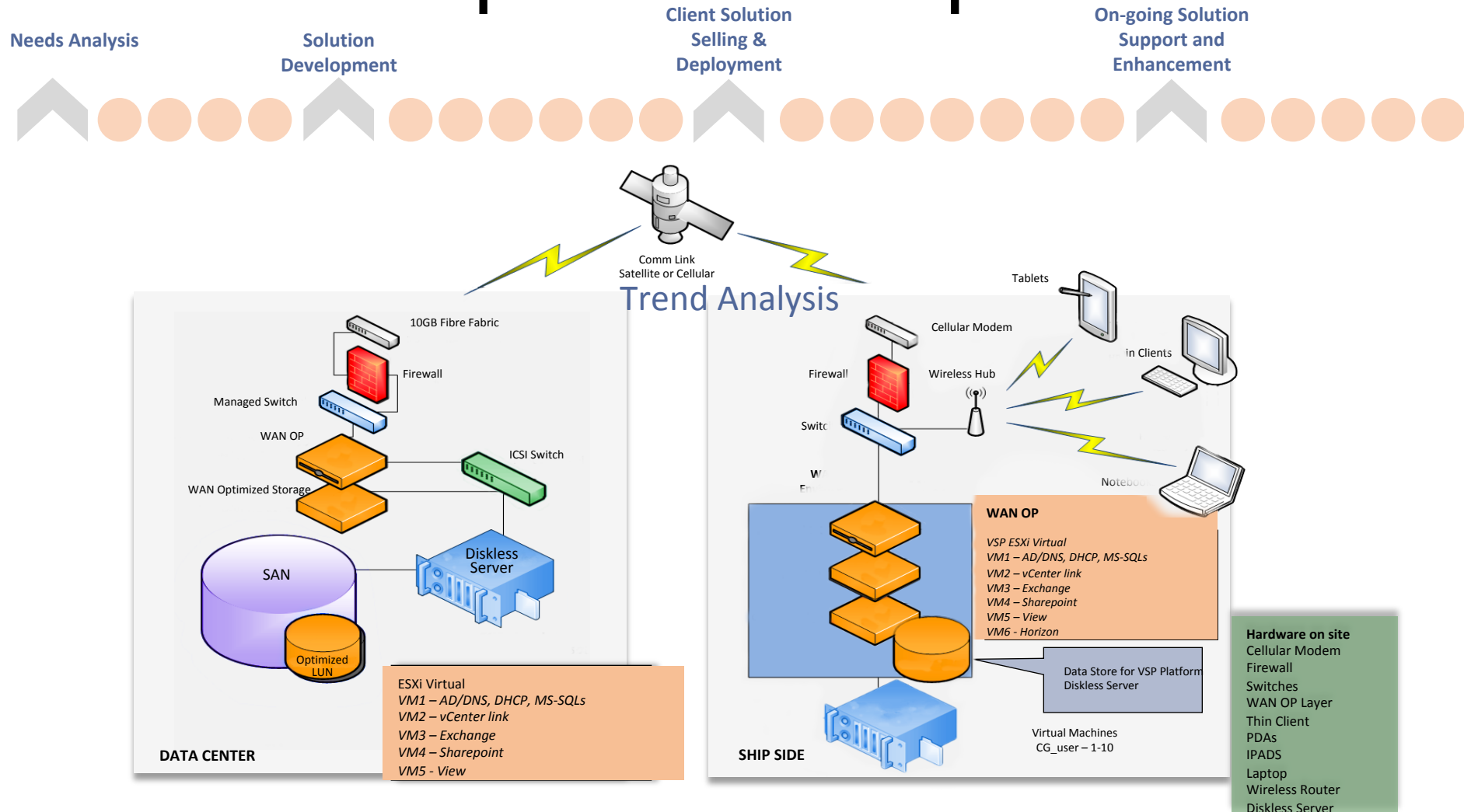


## The Solution Development Process

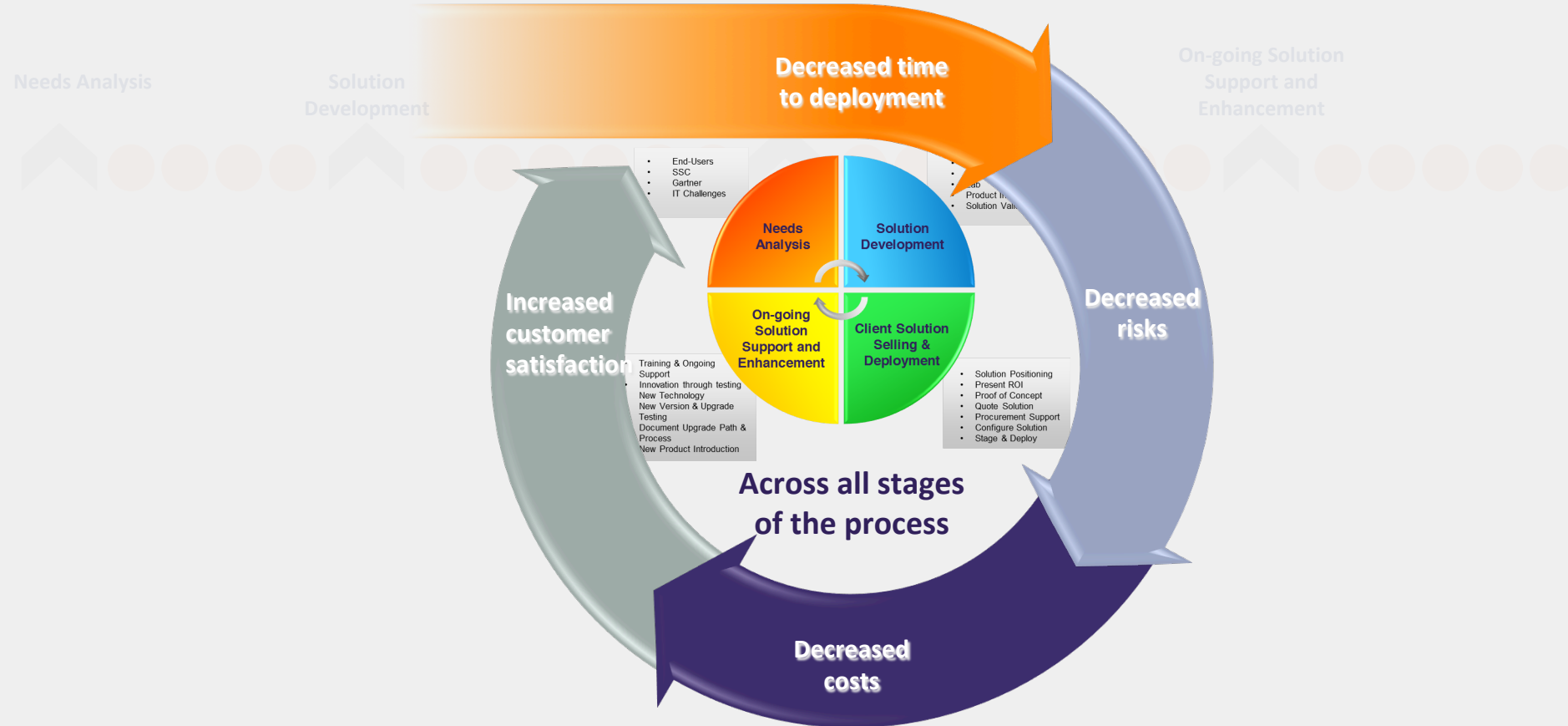
# Solution Example-1: Enterprise



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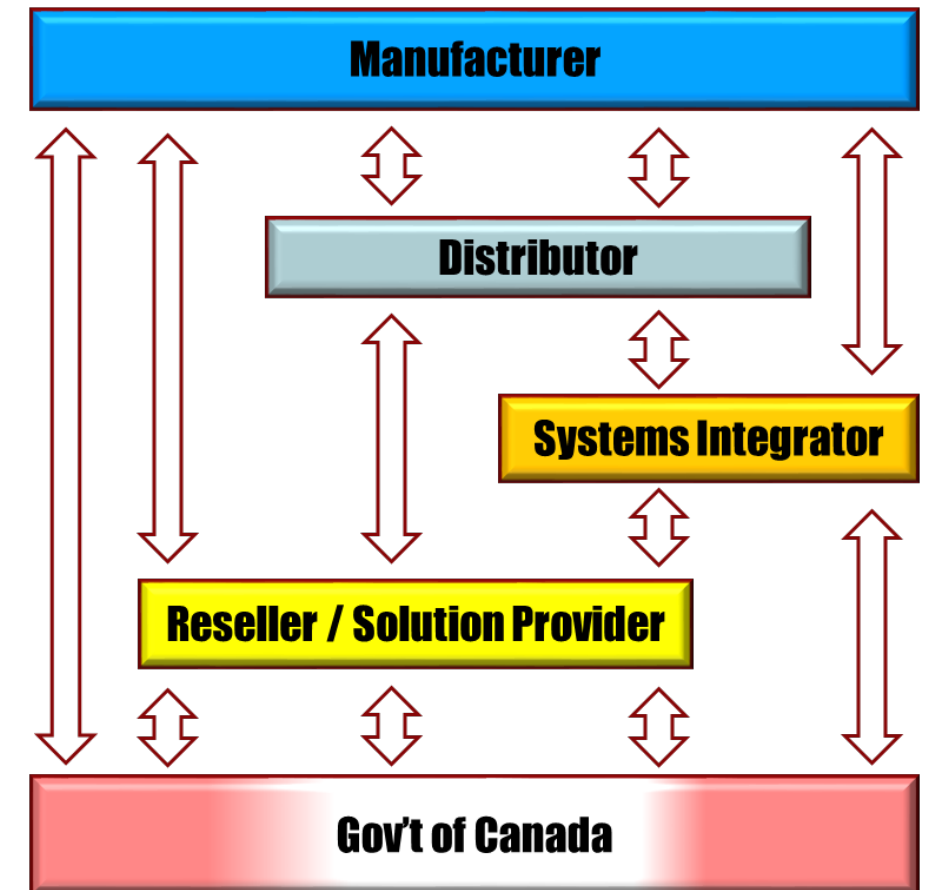
# Competition Breeds Innovation ....





# Eco-System disruption introduces cost

- “Cost” neutral system over time
- Solution Cycle heavily funded through product sales
- Inherited benefits of an aggregate client base (public & private sectors)
- CITPA in partnership with SSC from day one



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**Thank you**