



# Procurement Renewal at CBSA

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# Industry Best Practices



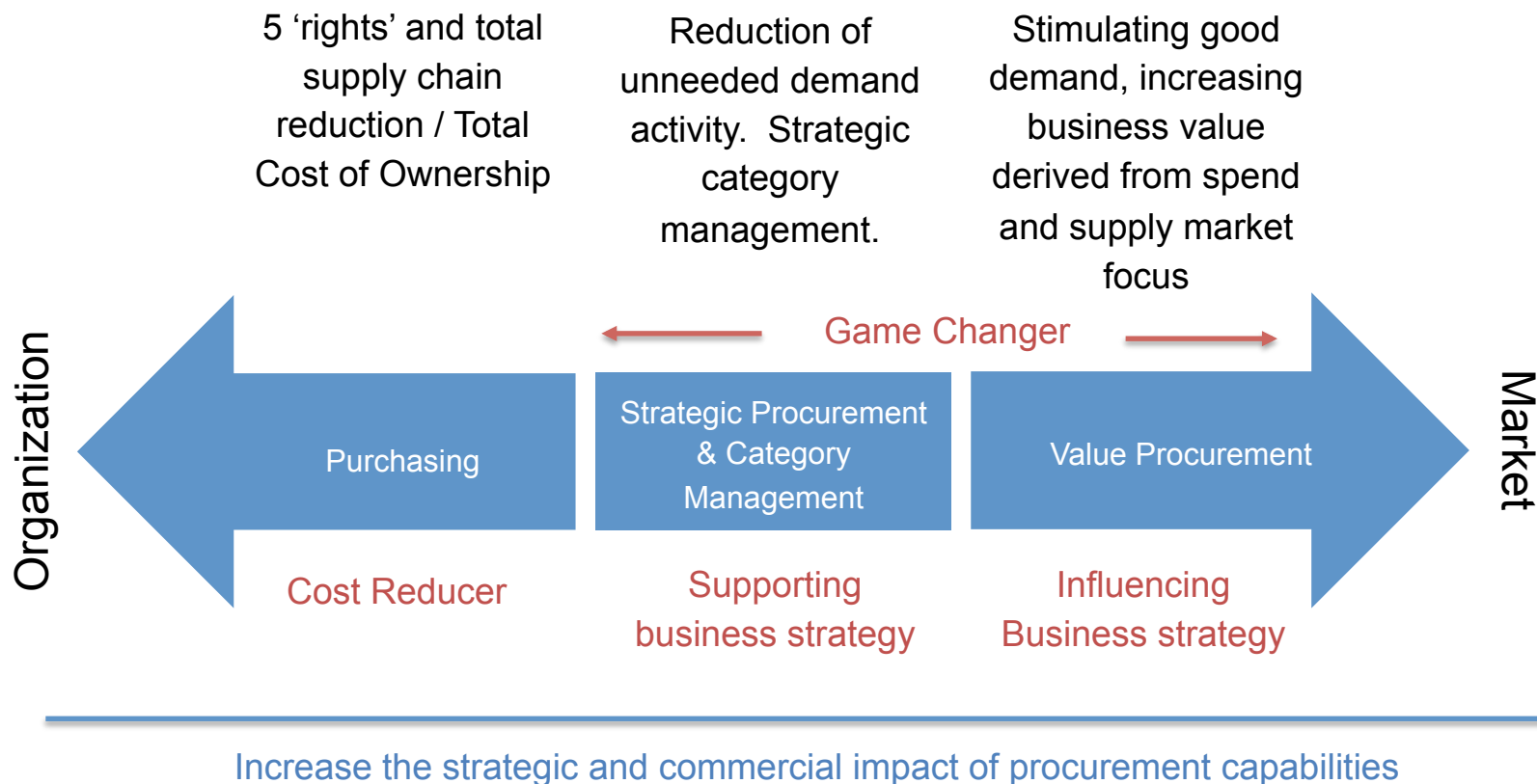
# Procurement Modernization across Government

The federal government has a mandate to modernize procurement so that they are simple, less administratively burdensome, deploy modern comptrollership and include practices that support our economic goals, including green and social procurement.

This strategy includes improving our approach to workforce management and professionalization and strengthening procurement leadership.



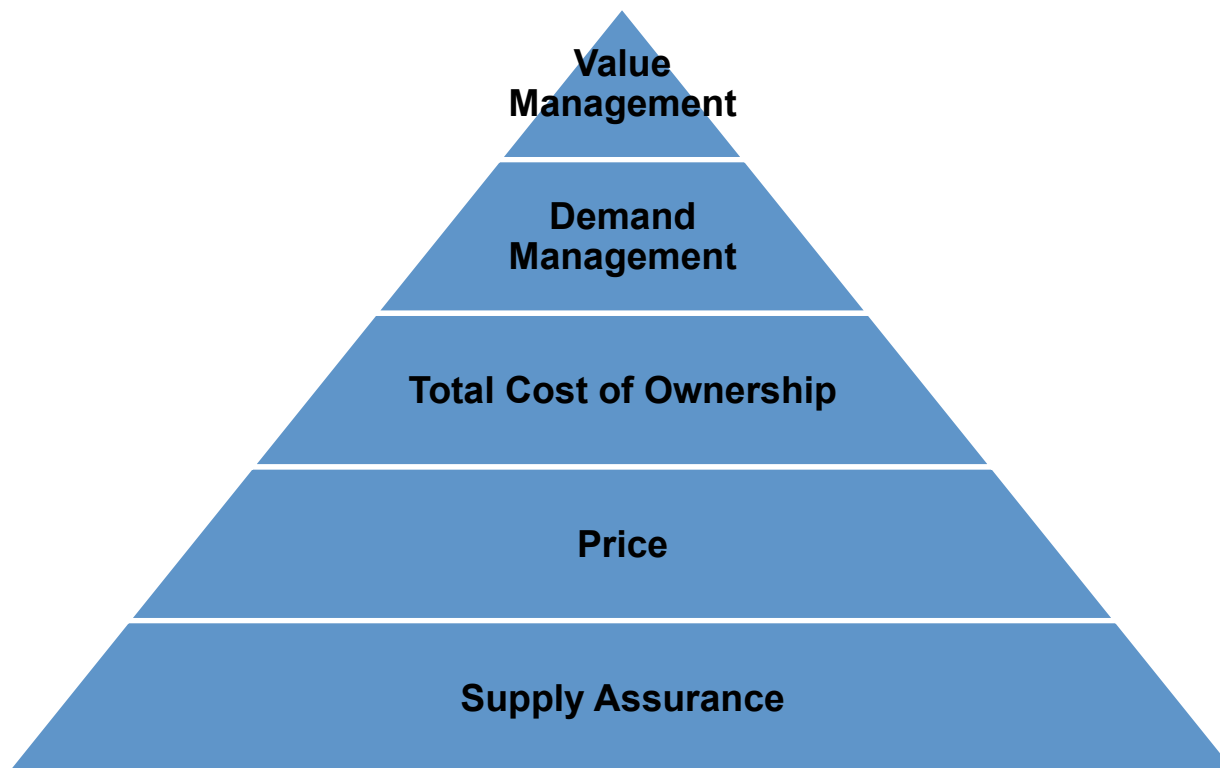
# Procurement's Value Proposition



Source: A look into the future of procurement, Gerard Chick and Robert Handfield, Supply Chain Quarterly, Quarter 1 2016



## Five Characteristics of World-Class Procurement Organizations



Source: The Hackett Group, Five Characteristics of World-Class Procurement Organizations, 2014



# Top Procurement Priorities in the Industry

## Procurement Priorities

Reduce and avoid purchase costs	85%
Elevate the role of procurement to a trusted advisor	81%
Increase spend visibility	76%
Improve agility	74%
Increase stakeholder satisfaction	70%
Reduce supply continuity risk	68%
Deepen influence on complex indirect spend categories	65%
Strengthen / protect the company's brand	63%
Tap supplier innovation	55%
Reduce regulatory non-compliance risk	51%

## Procurement Areas of Investment

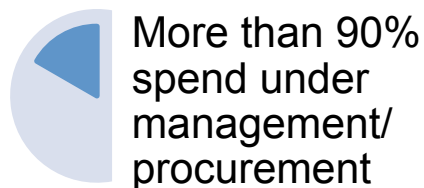
Category management	85%
Strategic sourcing	83%
Talent management	76%
Supplier relationship management	74%
Data analysis and reporting	67%
Supply market intelligence	51%
Procurement software	51%
Procurement CoEs	45%
Shared Services	37%
Continuous improvement (e.g. Lean, Six Sigma)	35%



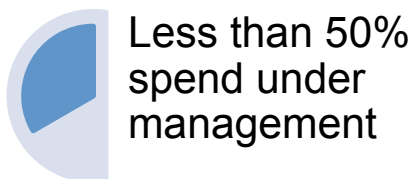
Source: The Hackett Group, Key Issues Study, 2016



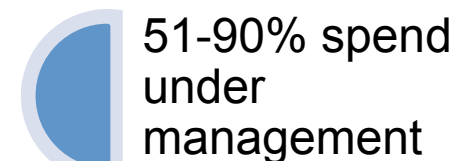
## Spend Analysis Benchmark Performance and Spend Maturity



**Best in Class**



**Laggards**



**Industry  
Average**

### Leading companies achieved benefits:

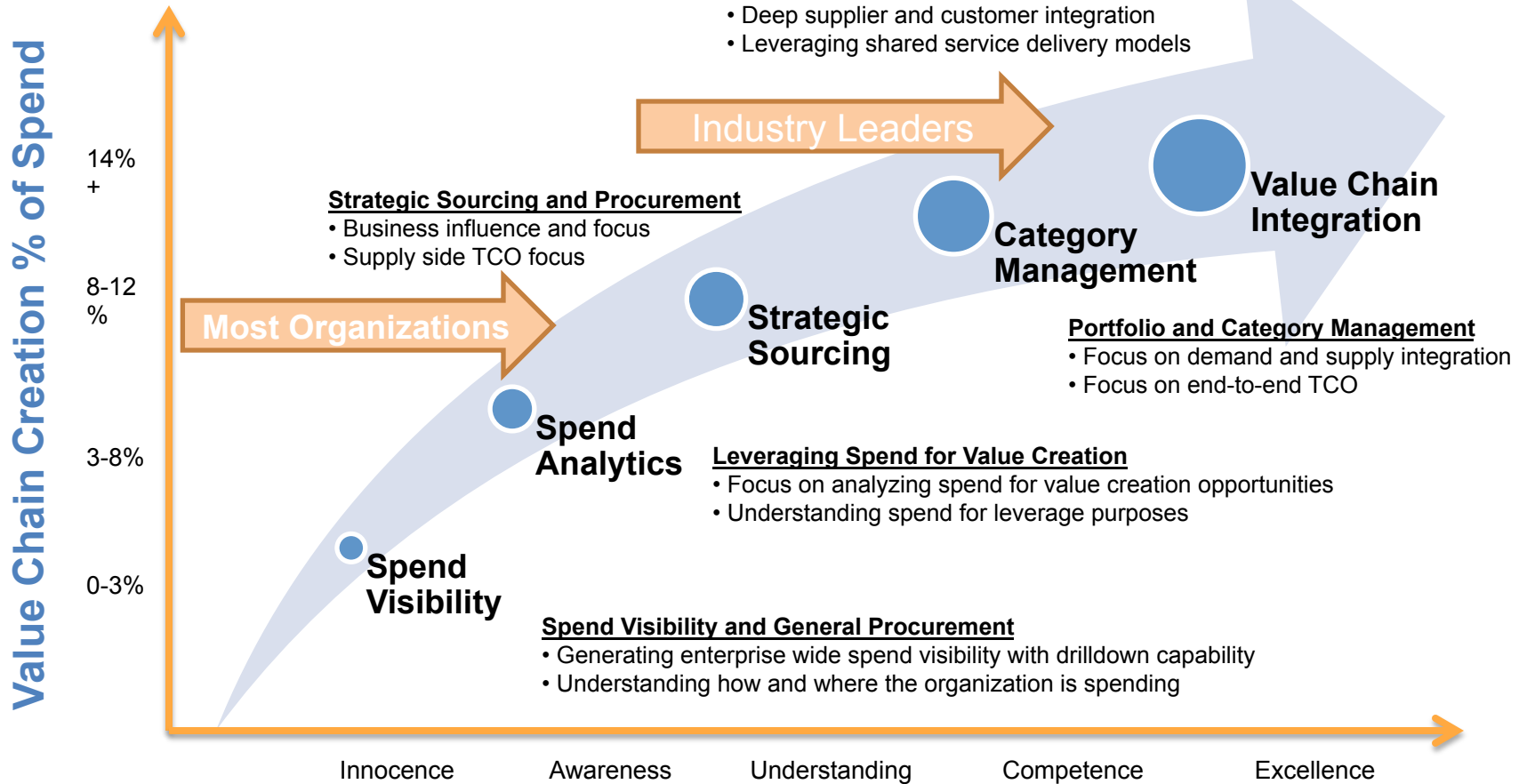
- 2-12% reduction in material costs through informed sourcing
- 50% reduction in off-contract spending
- 20-70% reduction in inventory levels
- 5-50% reduction in inventory costs
- 20% reduction in redundant or unnecessary parts and materials

Source: Aberdeen Group, Spend Analysis:  
Working Too Hard for the Money 2007



# Evolution of Spend Management

Visibility, Analytics and Beyond ...



Value Chain Creation % of Spend

PROTECTION • SERVICE • INTEGRITY

Source: PWC, Americas School of Mines 2012





# CBSA Landscape



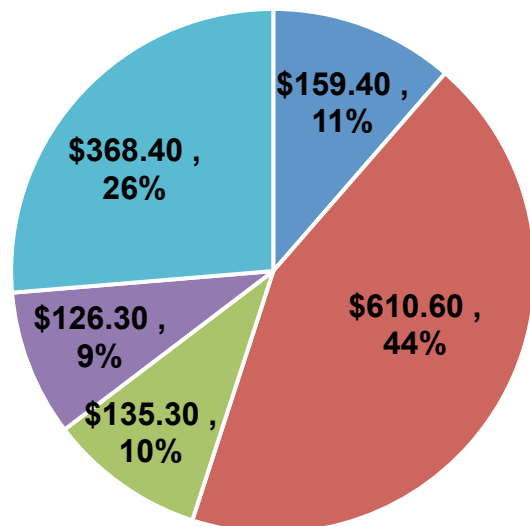
# Procurement Environment





## Key Findings

### Contract Spend in last 5 years (in millions)



**Total Spend = \$1.4B**

74% Of Spend

- Security Goods and Services
- IT Consultants
- Hardware and Software
- Medical Services and Equipment
- Other

- ⊙ Spend fluctuates 15-85% year over year making it difficult to plan and sustain operations
- ⊙ Approx. 2400 transactions each year creating a transactional environment
- ⊙ 50% of the transactions are less than \$10K results in a large portion of efforts placed on non-Agency priorities
- ⊙ Lack of consolidation and limited commodity owners resulting in high volume of transactions and inefficient processes
- ⊙ Right-sizing requirements to avoid going to PSPC or SSC resulting in multiple short term contracts for reoccurring needs
- ⊙ Lack of planning triggering many last minute requests and reactive environment
- ⊙ Lack of policy, procedures and tools result in inconsistent business practices and many frustrations
- ⊙ We are not leveraging our business needs and building enough strategic arrangements as 500 to 700 unique suppliers are used per year. Top 25 suppliers (or 3-5% of suppliers) account for 65% of the spend. Industry best practice is 80% of spend with 20% of suppliers.



## Problem Statement

- How to reduce volume of work by 40%?
- How to meet service standards 80% of the time?
- How to align with the Agency's priorities?
- How to build a high performing team?



# CBSA Procurement Transformation Strategy



## VISION

Transform procurement as a lean, agile and innovative best-in-class organization considered a strategic partner and key enabler to support the Agency's goals and initiatives.

## MISSION

To serve, support, and collaborate with our key stakeholders to apply sourcing, business insight, market knowledge, and global perspective to supply the goods, services and innovative solutions for the Agency.

***Transforming Procurement as the Trusted  
Advisor***



# Evolution of Procurement

## Transactional Role



## Strategic Role

- Knowledge about procurement process
- Disconnected from the business strategy
- Less technology enabled
- Transactional focused
- One-dimensional supplier relationships
- Short-term focused
- Priorities driven by technical community

- Multi-dimensional knowledge
- Center of Expertise on commodities / markets
- Strong use of technology
- Acts as a consultant
- Holistic relationship management
- Strong analytic / financial management understanding
- Long term focused
- Negotiator
- Complex deals
- Influence / lead change



# Client Service Delivery Model

Early  
Engagement

Action-  
Oriented

Collaboration

Consistent

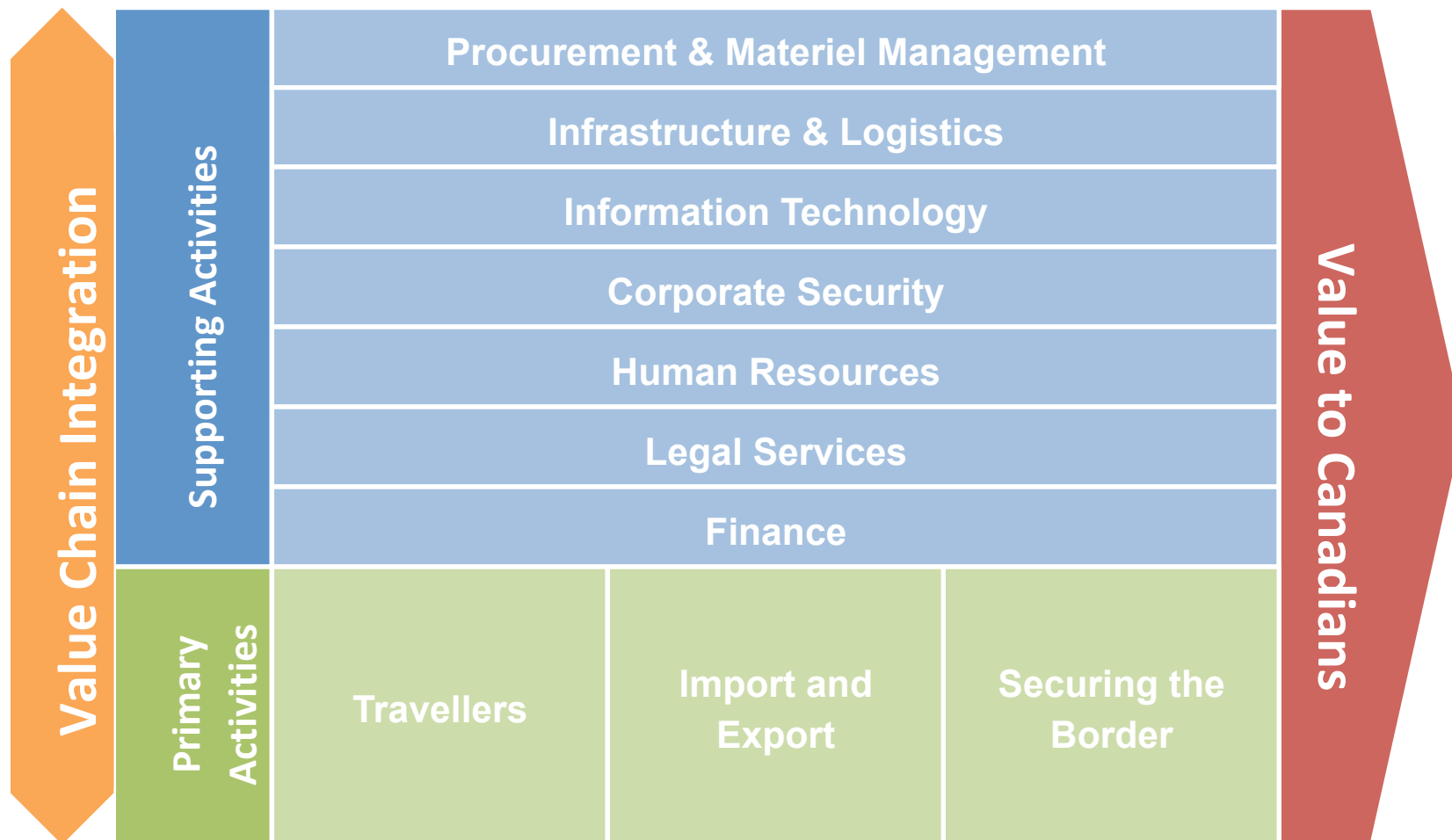
Knowledgeable







# Value Chain Integration





# BUSINESS LINES

## REGIONAL SOURCING

Real Property  
Medical Services  
Transportation and Logistics  
Printing Services  
Furniture and Equipment  
AV equipment  
Uniforms  
Training  
Communications

## NATIONAL SOURCING

IT Services  
Professional Services  
Hardware and Software  
Telecommunications  
Security Goods and Services  
HR Services (except Training)

## PLANNING AND REPORTING

Integrated Business Planning  
Spend Analytics  
Reporting Obligations  
Systems Compliance and Monitoring  
Supplier and Stakeholder Management  
Dashboards, KPIs and Scorecards

## POLICY AND CAPACITY BUILDING

Policies, tools and templates  
Training and development  
Recruitment and Retention  
Employee Onboarding  
Governance and Quality Control  
Policy oversight and monitoring  
General Inquiries

## PROCUREMENT PROJECT MANAGEMENT CAPACITY

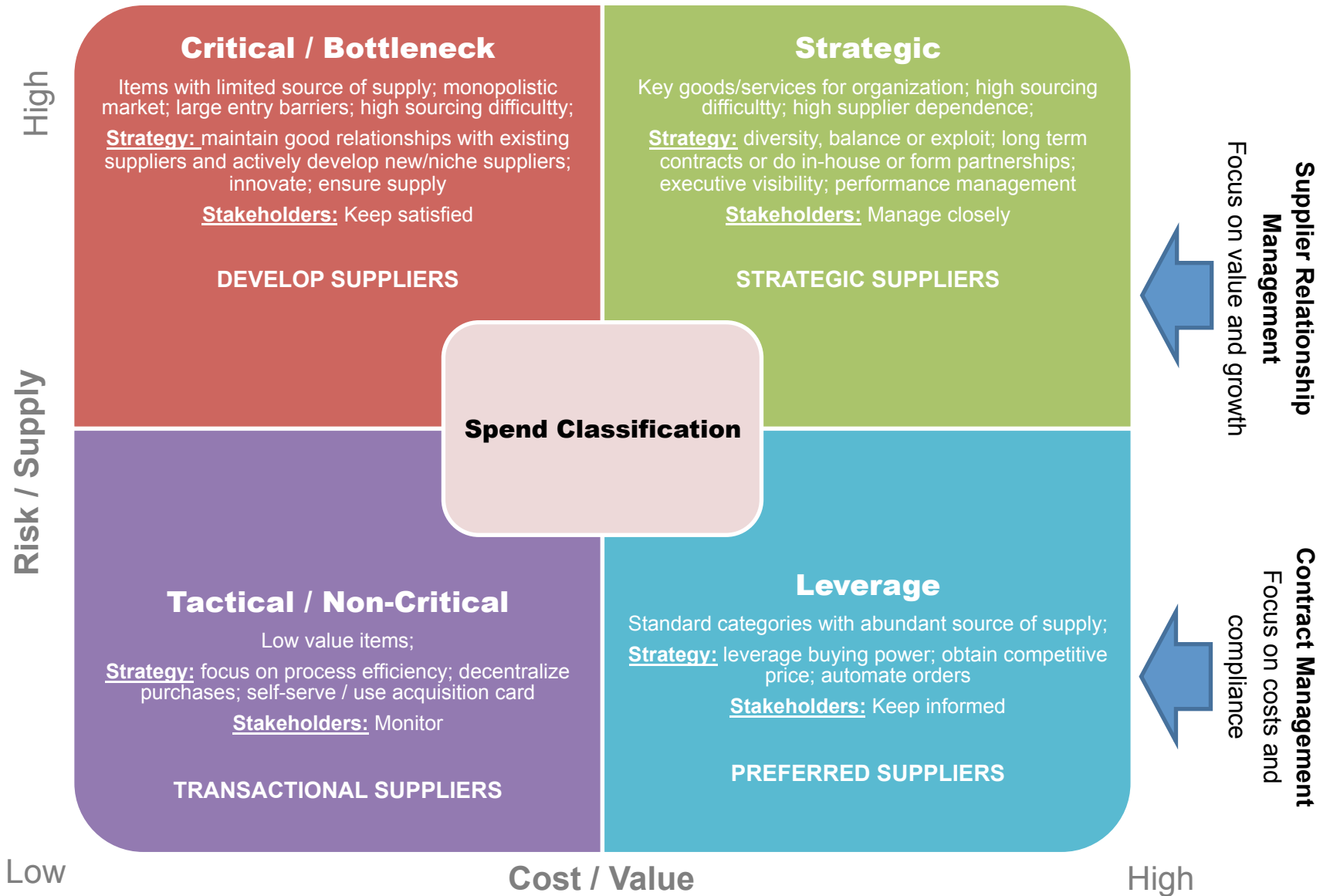
Project & Risk Management

Dedicated Cross-Functional Teams

Departmental Priorities

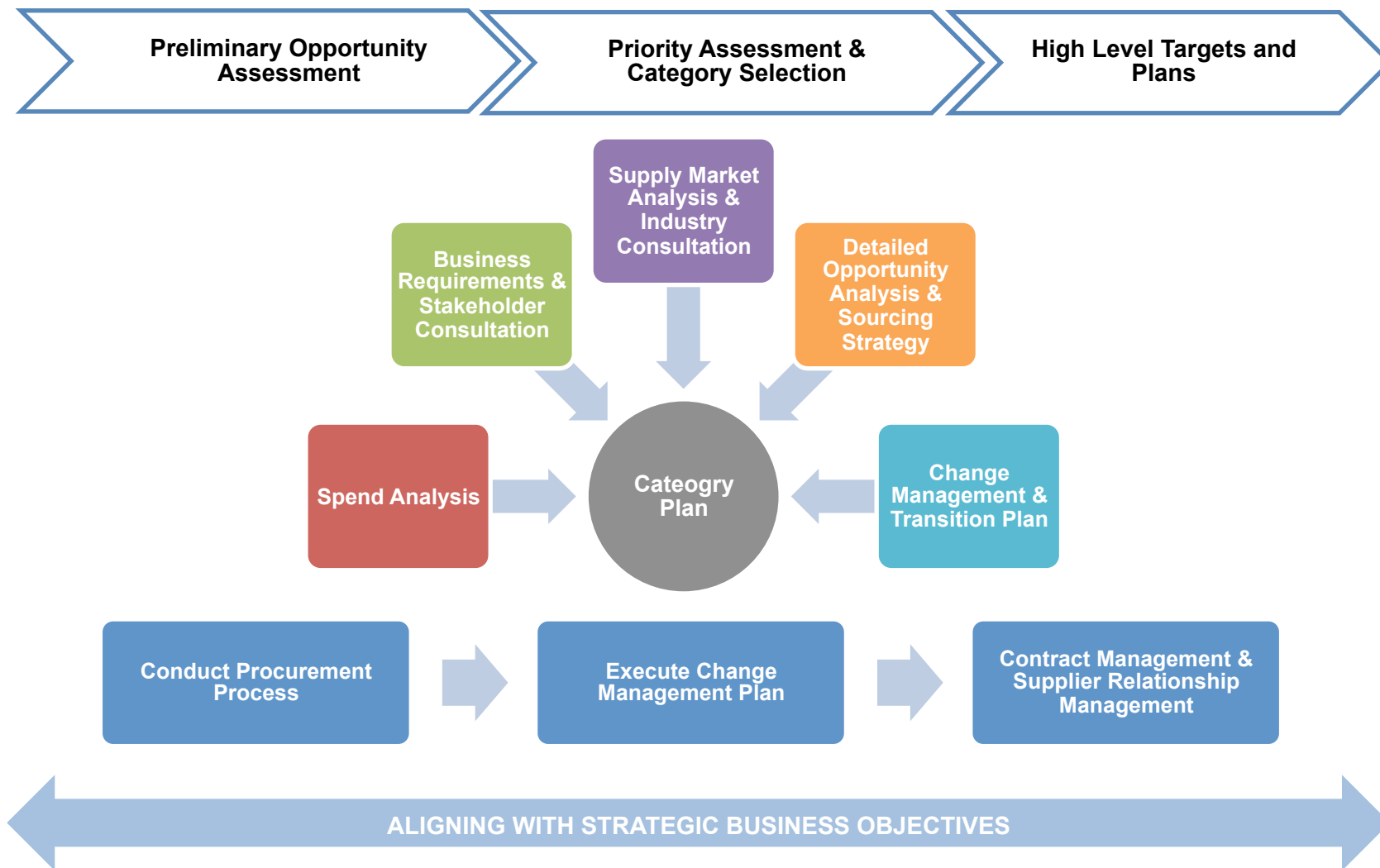
Self-funded

# Krajic Model



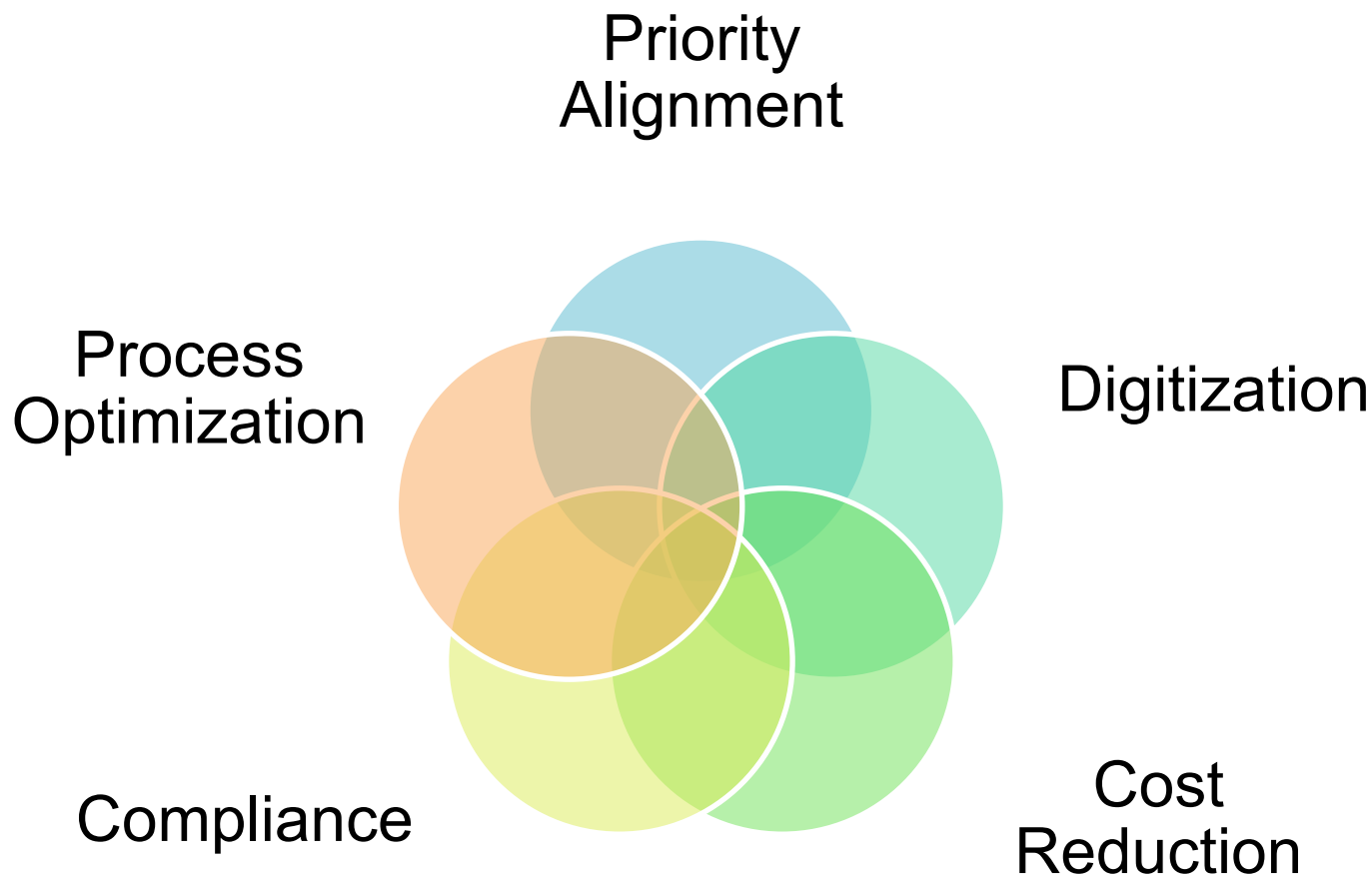


# Strategic Sourcing Model





# Key Enablers to Transformation





# Process Optimization

- Process mapping to streamline operations and develop capacity to lean the process
- Remove non-value added activities such as delegating low dollar value, high volume, low risk procurements to clients
- Increase productivity by reducing volume of work
- Consolidating business requirements to reduce volume of work and improve planning activities
- Collaborating with key stakeholders to optimize end-to-end business processes and operations



# Priority Alignment

- Improve planning through formal planning activities and priority identification
- Align procurement priorities with those of the Agency
- Regular and ongoing collaboration with key stakeholders is key to success
- Seek senior management engagement and direction
- Having a seat at the table early in the planning process to support and influence the business strategy



# Digitization

- Looking for opportunities to automate repetitive business processes
- Implementation of e-signatures to streamline processes and enable better work-from-home capability
- Investing in digital connectivity for better collaboration across the network
- Leverage P2P functionality to increase self-serve functions
- Enhance Workload Management Tool for better reporting capabilities
- Investing in spend analytics solutions to improve compliance and reporting functionality and ability to identify strategic sourcing opportunities





# Compliance

- Spend analytics is key success factor to improve monitoring and compliance functions
- Developing procurement dashboards and KPIs
- Managing the entire spend for 100% visibility to maximize opportunity and issues identification i.e. purchase orders, confirming orders, acquisition cards, and payments without reference to a purchase order



# Cost Reduction

- Process optimization can achieve significant savings i.e. 25-75% in many cases
- Consolidation of business requirements can achieve significant administrative and cost savings by leveraging economies of scale e.g. 20-30% savings by consolidating hardware requirements instead of one-off purchases
- Applying a category management approach can help identify greater opportunities for cost savings and reduction while improving value to Canadians.



# Modernization Roadmap

## Set-up

Year 1-2

### Reduce complexity and drive efficiency

- Restructure organization to align with priorities of the Agency
  - Strengthen procurement governance, stewardship and accountability
  - Increase client delegations for low complexity, low risk items
  - Recruitment and development
  - Employee onboarding
  - Standardize and optimize processes
  - Strengthen policy, tools and templates
  - Building awareness, engagement and collaboration
  - Nationalizing services
  - Building a workflow solution
  - Initiate procurement planning activities
- ★ Cost saving targets by consolidating business needs and rationalizing supply base

## Growth

Year 3-4

### Operational excellence and financial stewardship

- Strategic sourcing, category management and spend analytics capabilities
  - Integrated client-centric workflow solution
  - Robust planning functions
  - Measuring results through dynamic reporting, KPIs and dashboards
  - Ongoing recruitment and development
- ★ Cost saving targets by completing strategic sourcing initiatives.

## Maturity

Year 5

### Trusted advisor and key enabler

- Mature functions
  - Lean, agile and innovative service delivery model
  - Automated business processes
  - Ongoing recruitment and development
- ★ Cost saving targets by automated business processes.



## Key Priorities FY19-20

- Increase client self-serve functions for low risk, low complexity procurements
- Process optimization and streamlining operations
- Improve stakeholder collaboration and engagement
- Establish procurement planning capabilities
- Renew procurement policies, tools and templates
- Explore strategic sourcing approaches
- Restructure procurement operations aligned with industry best practices using a category-based approach
- Strengthen recruitment, retention and capacity development
- Nationalize procurement functions



# Questions?

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